

City of Loma Linda, California

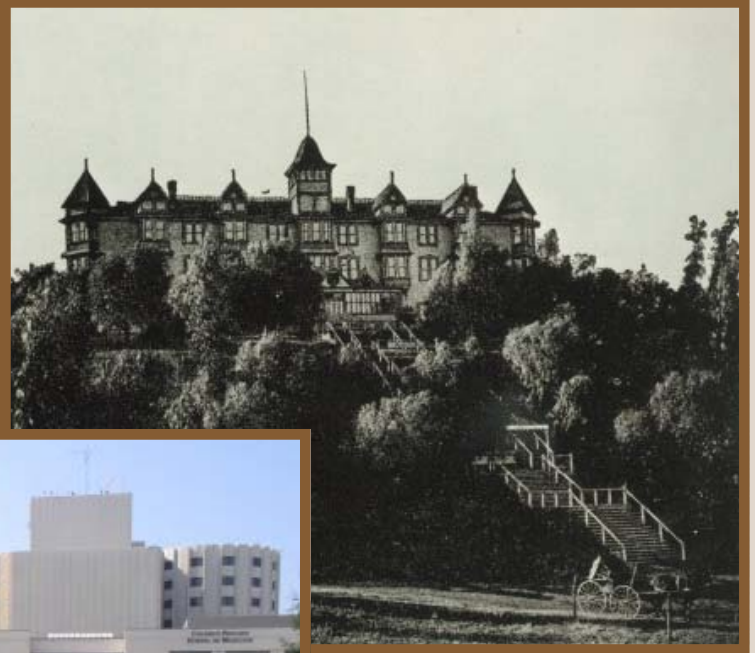


Mound City Hotel, eventually renamed Loma Linda
Photo courtesy of LLU, taken from Sunshine Citrus and Science, K. Reynolds

Comprehensive Annual Financial Report

**GASB 34 Edition
Fiscal Year Ended
June 30, 2005**

A Glimpse into our History...



Above: Loma Linda Sanitarium
Photo courtesy of LLU,
taken from Sunshine Citrus and Science, K. Reynolds
Left: Loma Linda University
Photo taken by Marilyn Parker



Above: Allen Break House, 2005
Photo courtesy of Loma Linda Public Works Dept.
Left: Allen Break House taken around 1937-38
Photo courtesy of Loma Linda Community Development Dept.



Above: Early City Fire Truck
Photo courtesy of LLU,
taken from Sunshine Citrus and Science, K. Reynolds
Left: Restored 1930 Model A Fire Truck
Photo Courtesy of Barbara Nicholson, Loma Linda Administration Dept., 2005

COMPREHENSIVE ANNUAL FINANCIAL REPORT

of the

CITY OF LOMA LINDA, CALIFORNIA

For the

Fiscal Year Ending

June 30, 2005



Prepared by:

**City Manager's Office
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FOR THE FISCAL YEAR ENDED JUNE 30, 2005

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Introductory Section





City of Loma Linda

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August 25, 2005

Honorable Mayor and City Council Members, and Citizens of Loma Linda:

It is with great pleasure that we present to you the City of Loma Linda's Comprehensive Annual Financial Report. This is the City's third annual financial report which has been prepared to comply with the financial reporting model standards developed by the *Governmental Accounting Standards Board (GASB) Statement 34*. The financial reporting model completely changed the format of the City's financial statements. The intent of GASB Statement 34 is to improve financial reporting by adding significant additional information not previously available in local government financial statements.

In addition to the fund-by-fund financial information currently presented in the City's financial statements, we are now including government-wide financial statements. The government-wide financial statements include a Statement of Net Assets that provides the total net equity of the City including infrastructure assets, and the Statement of Activities that shows the cost of providing government services. These statements have been prepared using the accrual basis of accounting; versus the modified accrual method used in the fund financial statements. A reconciliation report is provided as a key to understanding the changes between the two reporting methods. In addition, the new reporting model includes an emphasis on the City's major funds as shown in the Governmental Fund Statements. These new statements combined with other information are further analyzed in the narrative section called Management's Discussion and Analysis (MD&A). The MD&A provides "financial highlights" and interprets the financial reports by analyzing trends and by explaining changes, fluctuations and variances in the financial data. In addition, the MD&A is intended to disclose any known significant events or decisions that affect the financial condition of the City.

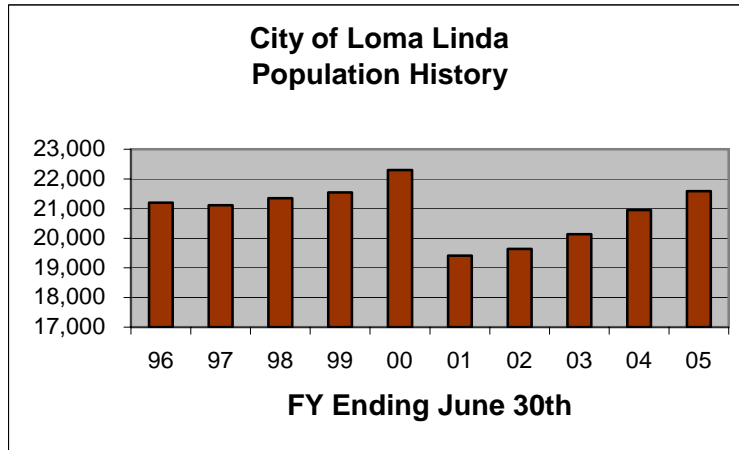
The Comprehensive Annual Financial Report includes the financial activity for all funds of the City and the Redevelopment Agency. Although the format of the financial statements and footnotes has changed under GASB Statement No. 34, the organization of the report continues to follow the same three major sections as prepared under pre-GASB 34 format, including the Introductory Section, the Financial Section, and the Statistical Section.

Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control that it has established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of material misstatements.

PROFILE OF THE CITY

The City of Loma Linda is located on the south side of Interstate 10, east of the 215 Freeway. Loma Linda is home to the world famous Loma Linda University and Medical Center with over 900 physicians on the University and Medical Center Staff. Loma Linda ("Beautiful Hill"), originally known as "Mound City", has a history of being a health-conscious community, and in 1993 became the first "smoke free" city in San Bernardino County. The Seventh-Day Adventist Church purchased the Loma Linda Resort Hotel from a group of businessmen and physicians from Los Angeles hospitals and converted it into the Loma Linda Sanitarium in 1905. The Sanitarium eventually became a full service medical facility and medical college, the forerunners of the Loma Linda University and Medical Center.

Loma Linda covers an area of 7.8 square miles and has a resident population of 21,592, as certified by the State Department of Finance, as of June 30, 2005. The City has some of the highest median income and highest average home prices in San Bernardino County.



As presented in the ten year population history chart, Loma Linda has sustained a steady growth rate over the past five years. After the 2000 census was completed, the State adjusted each California cities' population; some cities realized an increase while others, like Loma Linda, realized a decrease. As a result of the census figures, in 2001 the State Department of Finance downwardly revised the City's population numbers which are also used for allocation purposes of state subvention revenues.

PROFILE OF THE GOVERNMENT

The City of Loma Linda was incorporated in September 29, 1970. The City is governed under charter by a City Council/City Manager plan. The people of Loma Linda elect five Council Members, from which the City Council chooses the Mayor and the Mayor pro tempore. The City Council appoints the City Manager, who is responsible for the daily operations of all City departments and the Council also appoints the City Attorney.

The City's operating departments are Public Safety, Public Works, Community Development, Economic Development, City Clerk, Finance and Administration.

The City of Loma Linda is a full service Municipal Government. Services provided by the City include police (through contract with San Bernardino Sheriff's) and fire protection; water, sewer and refuse (under contract with a private hauler) utility services; emergency preparedness; street, storm and waste water drainage maintenance, planning and zoning management, general administrative services, a senior center and a library branch (staffed by the County of San Bernardino).

Financial administration of the City is the responsibility of the Finance Director/Treasurer, who supervises the City's fiscal administration, which includes the day-to-day accounting, budgetary and reporting compliance, business licensing, utility billing operations and cash management.

THE REPORTING ENTITY (Activities included in the report)

The report includes all activities carried out by the City as a legal entity, and also includes the activities of the Loma Linda Redevelopment Agency, for which the City Council, acting in the capacity of Redevelopment Agency Board, is financially accountable as determined under the guidelines of the Governmental Accounting Standards Board (GASB).

ACCOUNTING SYSTEMS AND BUDGETARY CONTROL

The City's fund accounting records are maintained using a modified accrual basis of accounting as explained in the Notes to the Financial Statements, following the accounting practices for governmental units as recommended by the Governmental Accounting Standards Board. Basic City operations are accounted for in the City's General Fund, with other activities accounted for in separate funds as required by law or determined by management discretion. Generally, revenues are recorded when measurable and available, and liabilities are recorded when incurred.

The Government-Wide financial statements follow the accrual basis of accounting, with a reconciliation statement to foot to the fund financial statements, as required by GASB Statement No. 34. This reconciliation statement follows on pages 18 and 21 in the body of the financial statements.

In administering the City's accounting systems, primary consideration is given to the adequacy of internal accounting controls, which include an array of administrative procedures. These controls are designed to provide reasonable, but not absolute, assurance regarding the safeguarding of assets against loss from unauthorized use or disposition, as well as the reliability of financial records for accurate and fair presentation of financial reports. The concept of reasonable assurance recognizes that the cost of specific controls should not exceed the benefits likely to be derived from exercising the controls, and that this evaluation necessarily involves estimates and judgments by management. It is believed that the City's internal accounting controls adequately safeguard City assets and provide reasonable assurance of proper recording of financial transactions.

The Finance Director/City Treasurer is charged with the responsibility to supervise and be responsible for the receipt and disbursement of all monies and have control over all expenditures to insure that budget appropriations are not exceeded. The level of budgetary control, that is, the level at which expenditures are not to exceed Council approved appropriations is established at the department level. An encumbrance (commitment) accounting system is utilized as a technique to enhance budgetary control during the year. Unencumbered appropriations lapse at year-end and become generally available for re-appropriation the following year, upon recommendation by the City Manager. Also, the Citizen's Budget Committee plays a major role in the budgetary recommendations to the City Council.

SIGNIFICANT EVENTS AND ACCOMPLISHMENTS

During 2003/2004, the City achieved many accomplishments that may not be evident from a review of the financial statements. Some of the more important accomplishments as well as on-going projects are summarized below.

Community Development:

During the 2004/2005 Fiscal Year, the Community Development Department was kept very busy as a result of new development within the City. The Planning Division processed five conditional use permits, 12 precise plans of design, four tentative tract maps, two specific plans, and 11 single-family residences many of which were associated with legislative changes such as general plan amendments and zone changes. As anticipated with the increase in development activity, the Building Division checked plans, issued building permits, and conducted inspections for hundreds of developments and permit requests. The General Plan Update Project was in full swing during the 2004/2005 Fiscal Year concluding public hearings before the Planning

Commission and commencing the public hearing process before the City Council. Approximately 215 new residential dwelling units were approved during the period.

The Community Development Department experienced some reorganization at the beginning of 2004 when the Code Enforcement Section moved from the Fire Department (formerly Public Safety Department) into the department. The reorganization and move was successful and during the 2004/2005 Fiscal Year, the two officers worked with the community and issued over 500 Courtesy Notices, 250 Violation Notices, 41 Administrative Citations, and 12 Notices to Appear in Superior Court. They also removed 1,500 illegal signs, resolved two Small Claims cases, and abated six homeless camps.

Fire Department

During the fiscal year, the Loma Linda Fire Department (LLFD) responded to 2,734 calls for service, 67.8% or 1,854 were for medical aids. LLFD only experienced one large-loss fire in an apartment building. The department has had an influx of new personnel including 6 firefighter/paramedics, 1 fire captain, 1 fire chief and the promotion of 1 captain to battalion chief. The department has done much to meet and/or mitigate the rising number of demands and responsibilities resulting from development and increasing customer expectations. The challenge for LLFD is to maintain an effective level of service during the build-out of the city.

Information Systems Department

The City of Loma Linda is preparing for the future with its Loma Linda Connected Community Program (LLCCP). The Program includes the deployment of an advanced city-wide fiber optic network as well as modifications to building regulations to ensure that development will be designed to meet the needs of future communication technologies. The City has completed the construction of its Network Operations Center and the first phase of the fiber network. The City building code now requires all new commercial and residential developments (or re-models involving greater than 50% of the structure) to equip the new structures with a fiber-optics interface and copper cabling throughout.

Housing and Economic Development:

During Fiscal Year 2004-2005, the following programs, administered utilizing the Redevelopment Agency 20% Housing Fund, were used to assist families of very-low and low income: Clean-up Campaign/Dumpsters; Housing Acquisition and Rehabilitation; Exterior Paint; First Time Homebuyers; Home Improvement Major Loan and Grant; Paint Rebate; Multi-Family Rental Housing Rehabilitation Loan; and Home Exterior Grant Program for Mobile Homes.

The Programs assisted 81 families, including 5 First Time Homebuyers with down payment assistance.

The Agency also concluded acquisition of parcels totaling approximately seven acres on the east side of Poplar Street and is in negotiations with a developer to provide affordable multi-family and single-family housing.

Operational Enhancements:

The City's Information Services Department, which is responsible for information technology, has continued the implementation of computer software application system upgrades for data processing. As of June 30, 2005, the utility billing software conversion with Progressive Solutions was completed, and provides auto debit, on-line bill payment and on-line bill look-up.

In the future, enhancements will be made to the software that will enable integrated general ledger billing and seamless on-line work order processing for the City's Water, Sewer and Loma Linda Connected Communities Enterprise operations.

Capital Improvement Program (CIP) Projects:

Public Works

For fiscal year 2004/2005, The Loma Linda Public Works Department completed over 800,000 square feet of street rehabilitations and two-coat slurry seals on over 25 streets in Loma Linda. The North Central Neighborhood acquired 9,050 feet of sidewalk, 28 handicap ramps and 1,400 feet of curb and gutter. The Bailey bridges that used to carry traffic across the San Timoteo Creek at Beaumont Avenue were relocated to the end of Ohio Street and at the Southern California Edison easement for pedestrians to cross the creek. There were several improvements made to the City Parks intended for the public's enjoyment and safety and for maintenance efficiency.

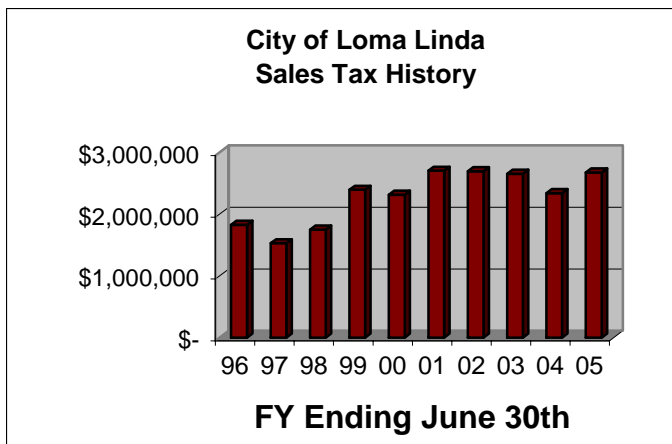
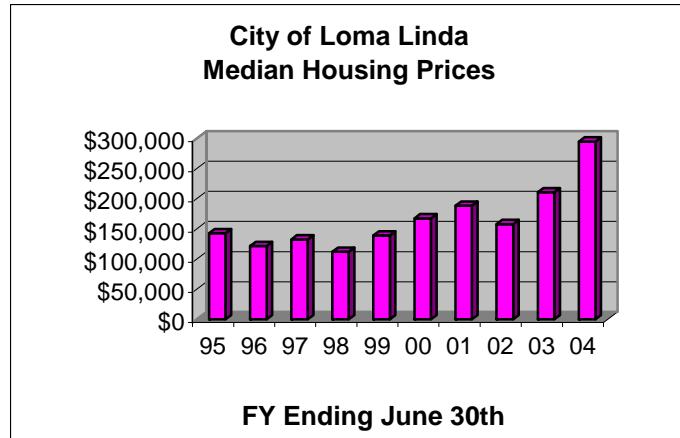
The Water Production, Distribution and Sewer Divisions completed many projects to improve the City's water, sewer, and storm drain systems. The City upgraded piping from plastic to copper service citywide; installed 400 radio read water meters citywide; installed 3,295 feet of waterlines; relined 8,292 feet of sewerlines, installed 760 feet of 12" sewer main; and reprogrammed radios for faster data transmissions at well sites. The City also purchased property for a future well site.

There were interior and exterior improvements to City Hall, Corporation Yard, Library and Senior Center buildings. A detailed analysis of capital improvement projects is provided in the City's Five-Year CIP program document. Along with these endeavors, the City continues to maintain all public rights-of-way, infrastructure, parks and utility services throughout the City to preserve the safety and beauty of our community. The Engineering Division continues to update the Infrastructure database and GIS Map System citywide.

LOCAL ECONOMY AND PROSPECTS FOR THE FUTURE

As presented in the Loma Linda draft General Plan (2003), San Bernardino County is projected to see its employment sector grow at a faster rate than its residential sector through 2020. Because of the developed nature of Southern California, businesses will be forced to begin locating in what are now considered to be outlying areas, such as western San Bernardino County. San Bernardino County and area cities are pursuing aggressive economic development programs aimed at expanding local employment opportunities. Ultimately, the valley portion of San Bernardino County will achieve a local balance between jobs and housing. Several factors will assist in this effort, including an abundance of relatively inexpensive land, a highly trained local labor force, and quality housing in the Loma Linda area. Increasing congestion, rising land costs and lease rates, and an increasing desire on the part of workers to live within a comfortable commute of their places of employment will also help the valley portion of San Bernardino County to achieve a balance between the area's local employment base and its housing stock.

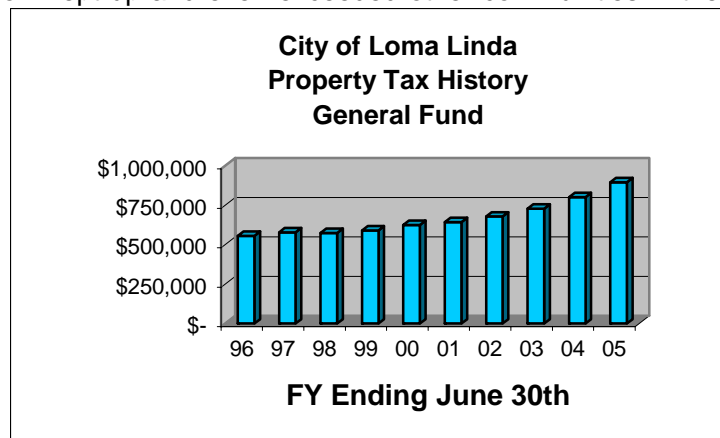
The median price of a home in Loma Linda climbed 47.03% to \$433,750 in 2005, from \$295,000 in 2004, according to the California Association of Realtor's website located at <http://www.car.org>. Even with this rise in housing costs in Loma Linda, the City is expected to continue to attract skilled and educated residents that can be provided with local jobs as well as access to surrounding job markets via Internet technology. The Loma Linda Connected Community program has established building requirements to enhance technological access as part of each new development project, providing the technological infrastructure for local residents to stay "connected" from home.



The chart here is a ten year historical presentation of the City's sales tax revenue through fiscal year ending June 30, 2005. The City continues to benefit from taxable sales of auto dealers and the Loma Linda University Medical Center. However, sales have remained relatively flat the past five years, with a dip in fiscal year 2003/2004 due to a significant refund granted to a local business taxpayer. In fiscal year 1999/2000, the dip in sales tax revenues was an anomaly due to reporting variances.

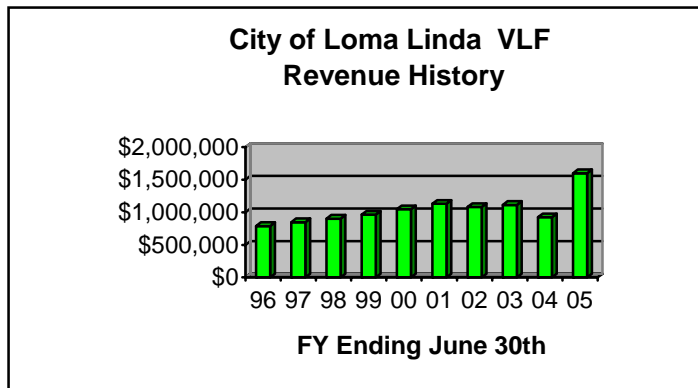
The City of Loma Linda continues to heavily rely on retail sales to fund its general government services. By improving the availability of retail shopping facilities and attracting more shoppers to buy locally, the City is expected to expand sales tax revenues in connection with the economic growth projected in fiscal year 2005/2006.

Property values in Loma Linda have now kept up and even exceeded other communities in the County. As of June 30, 2005, citywide assessed property values increased 14.43% over the previous year, with a huge 47.03% jump in the median price of a single-family home in the City. Median housing prices are just one factor in the overall increase in assessed values citywide in Loma Linda. Tax-exempt properties continue to be a significant factor in the overall assessed values for both the City and the Redevelopment Agency in Loma Linda.



Property taxes are collected by the City and the Redevelopment Agency, with the bulk of the property tax collected as “tax increment” by the Agency. The chart on the previous page is a 10-year history of the City’s General Fund property tax revenues through fiscal year ending June 30, 2005. As shown here, General Fund property taxes have been steadily increasing over the last seven years. At June 30, 2005, property tax revenues were reported at \$911,366, an increase of \$110,545 or 13.8% from fiscal year 2003/2004. In the attached Statistical table on page 99, the fiscal year 2004/2005, property tax revenue is reported as \$4,954,740, which includes \$4,180,763 in Redevelopment Agency property tax as part of the “governmental” tax revenue.

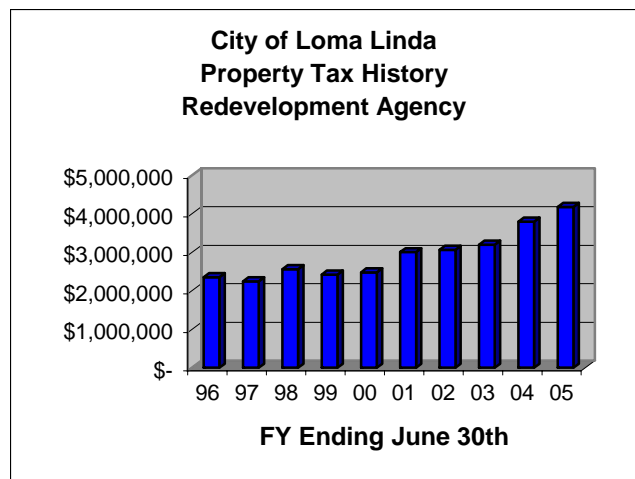
Not reflected in the chart on the previous page is property tax increases shifted to the State, as part the Governor’s Budget/Constitutional Protection Package, in the amount of \$177,703 or an additional 22% over fiscal year 2003/2004. The same amount is scheduled to be shifted in fiscal year 2005/2006.



As presented in the ten year history chart Vehicle License Fees (VLF) had been steadily increasing since fiscal year 1995/1996 and flattened out in 2000/2001. In fiscal year 2003/2004 the City felt the affects of the State budget crisis, with a revenue loss of \$341,452, or 27% of total VLF revenues, when the State’s backfill was stopped and restarted three months later creating a gap in VLF payments to the City;

later the gap was converted to a loan. In fiscal year 2004/2005, City VLF revenues show a significant increase due to the early repayment of the VLF loan, originally scheduled to be repaid in August of 2006. Also as part of the Governor’s Budget/Constitutional Protection package, a VLF swap was approved. What the swap boils down to is an exchange of the current VLF backfill from the State’s general fund for an equivalent amount of property tax revenues in fiscal year 2004/2005. In the future, the VLF in-lieu property tax revenue stream will grow in proportion to the growth in gross assessed valuation, including redevelopment areas.

Prior to fiscal year 2002/2003, the City’s general-purpose financial statements did not include Redevelopment Agency revenues or expenditures; these were separately reported in a component unit financial statement. For the year’s ending June 30, 2003, 2004 and 2005, the City’s general-purpose financial statements include both City and Redevelopment Agency property tax revenues. In addition a separate component unit financial statement for the Redevelopment Agency is also prepared.



As shown here in the 10 year property tax history chart on the previous page, tax increment revenues in the Redevelopment Agency have grown from \$2.3 million in fiscal year 1995/1996 to \$4.2 million in 2004/2005. The one-year increase from fiscal year 2003/2004 was \$378,678, or 9.9% total increase in property tax increment, including the 20% Low/Mod Housing set-aside portion. Property tax revenues are anticipated to continue in the upward trend for the next several years, as the majority of larger scale development projects are anticipated to occur within the redevelopment project area.

ACTUAL OPERATING RESULTS – GENERAL GOVERNMENT

The following discussion summarizes the annual operating results of the City's General Fund, Special Revenue Funds, Debt Service Funds, and Capital Project Funds (Governmental Funds) for the fiscal year ended June 30, 2005. Further details are presented in the individual financial statements attached to this transmittal letter.

Revenues – The following table displays the actual revenues recorded by category for fiscal year 2004/2005 as compared to the prior fiscal year.

Revenues by Category for Governmental Funds Compared to Prior Year

	<u>2005</u>	<u>2004</u>	<u>% Change</u>
Taxes & Assessments	\$9,341,099	\$8,082,388	15.6%
Licenses and Permits	\$1,274,884	\$814,575	56.5%
Fines and Forfeits	165,057	169,862	-2.8%
Use of Money and Property	1,046,965	1,139,325	-8.1%
Intergovernmental	2,944,606	1,972,734	49.3%
Charges for Services	3,115,924	2,691,658	15.8%
Developer Contributions	1,556,016	102,923	1411.8%
Other	1,732,978	1,803,298	-3.9%
Total Revenues	<u>\$21,177,529</u>	<u>\$16,776,763</u>	<u>26.2%</u>

Total revenues for all Government Funds in fiscal year 2005 were up \$4,400,766, or 26.2% over the previous year. Within the Taxes category, property tax, sales tax, and franchise fees increased by \$1,134,845, or 15.7% over the prior year.

In the comparison of revenues above, investment earnings, part of Use of Property & Money in the Governmental Funds, reflect an overall decrease of \$92,360. As the result of an accounting change in how lease income for debt service was recorded in the prior year for the Public Financing Authority, the comparison does not reflect the actual results of true investment activity. In actuality investment earnings are higher by \$236,393, of which \$48,581 represents additional interest earnings on investment of excess cash and \$187,812 represent payment of accumulated interest on loans to the San Bernardino International Airport Authority paid in full. Investment rates appear to have bottomed out last year and have steadily increased since. As investment yields in U.S. government securities become more favorable, the Finance Director/Treasurer is considering alternative investments and diversification of funds away from the State's Local Agency Investment Fund (LAIF) pool.

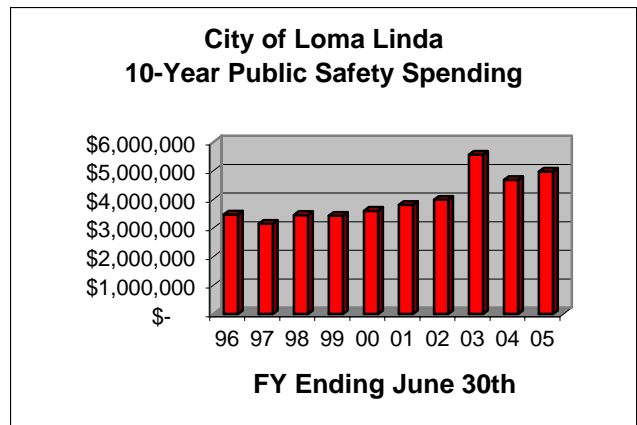
Expenditures – The following table compares the actual expenditures incurred in fiscal year 2004/2005 with the previous year. Funds included are the City's General Fund, Special Revenue, Debt Service Funds, and Capital Project Funds.

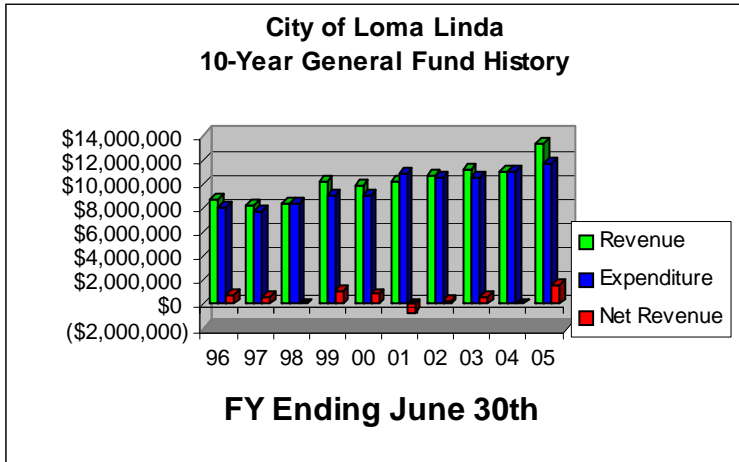
**Expenditures by Function for Governmental Funds
Compared to Prior Year**

	<u>2005</u>	<u>2004</u>	<u>% Change</u>
Current:			
General Government	\$2,890,312	\$2,665,745	8.4%
Public Safety	\$4,976,235	\$4,682,066	6.3%
Public Works	\$3,706,711	\$4,116,492	-10.0%
Community Development	\$2,733,328	\$2,119,235	29.0%
Capital Outlay:			
Capital Projects	\$244,200	\$362,267	-32.6%
Debt service:			
Principal	\$1,161,099	\$756,412	53.5%
Interest and fiscal charges	\$2,049,958	\$2,228,101	-8.0%
Total Expenditures	<u>\$17,761,843</u>	<u>\$16,930,318</u>	<u>4.9%</u>

Overall expenditures for fiscal year 2004/2005 were \$831,525 (4.9%) more than the previous fiscal year, partly driven by the \$614,093 dollar increase in the Community Development functional categories. The City contracts out building inspection services based upon a 65% of fees collected. With the increase in development activities comes a proportional increase in contractual service costs. Additionally, principal debt service increase \$404,687 primarily due to the first principal payment on the 2003 tax allocation bonds came due in this fiscal year.

The chart on the right illustrates the ten year history of public safety expenditures through fiscal year ending June 30, 2005. Public Safety spending has increased almost 56% from roughly \$3.0 million in fiscal year 1995/1996 to almost \$5.0 million in fiscal year 2004/2005.



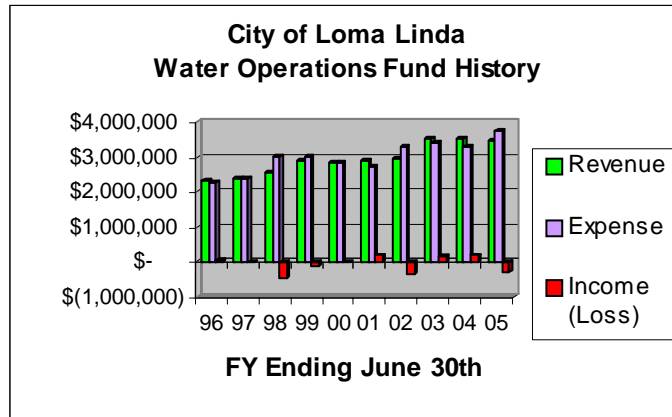


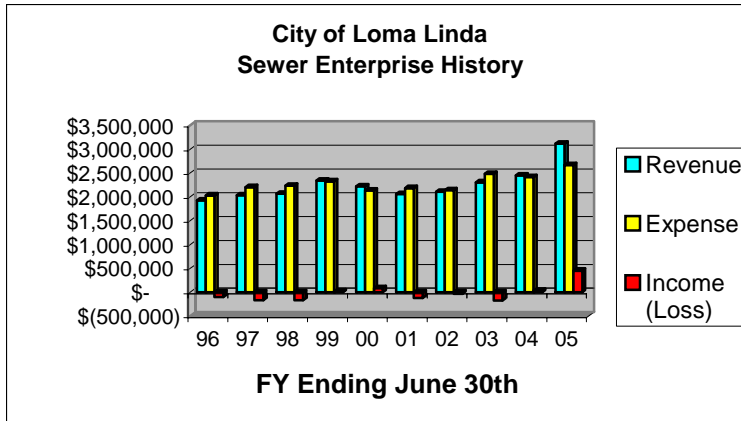
The following chart illustrates the ten year history of total revenues, expenditures and net operating revenues for the General Fund through June 30, 2005. The Net Revenue figure in the chart includes operating revenues, operating expenditures and transfers to and from other funds.

ANNUAL OPERATING RESULTS – ENTERPRISE FUNDS

The City accounts for its Water, Sewer and Loma Linda Connected Communities Program (LLCCP) operations on an “enterprise” basis, meaning that the activity is treated more like a commercial business, separate and apart from general City operations. In fiscal year 2004/2005, Enterprise Fund operating revenues for Water, Sewer and LLCCP combined, totaled \$6,658,011, an increase of 14.6% over fiscal year 2003/2004, while operating expenditures increased by \$1,161,931, or about 20.7%, over the same period. For the Water Operations Fund specifically, the Water Fund operating expenses exceeded operating revenues by \$312,771 this year, whereas last year, the Water Fund showed operating income of \$146,674 for the year.

Note that this chart does not include any “non-operating” income or expenses (i.e., interest income or interest expenses, etc.). Interest expenses in the Water Fund decreased by 22.03%, due to the slow increase in interest costs on the 1995 Water Revenue Refunding bonds. This bond issue is a variable-rate debt issue but will be converted to a fixed rate obligation at a later date. When market interest rates decline, variable-rate debt results in lower interest costs. The converse is true in times of rising market interest rates.





For the operating period ending June 30, 2005, the Sewer Fund ended the year with net operating income of \$449,533. Although Sewer revenues increased by \$672,828, or 27.51%, operating expenses increased by \$253,181, or about 10.48%. The next chart shows the ten-year financial operating history of the Sewer Enterprise Fund. Note that this chart does not include any “non-operating” income or expenses (i.e., interest

income or interest expenses, etc.). Interest income has doubled while interest expense has remained relatively unchanged from last year in the Sewer Enterprise Fund.

As mentioned earlier, during Fiscal year 2003/2004 a new Enterprise fund was set up for the purpose of establishing requirements for standardized residential and commercial telecommunications cabling systems. This new system will provide Loma Linda residents and businesses the opportunity to have voice, data, multimedia, home automation systems, environmental control, security, audio, television, sensors, alarms, and intercom services. The revenues and expenditures for 2003/2004 were minimal as this was the initial year of the program. Fiscal Year 2004/2005 was the first full year of operations for the Loma Linda Connected Communities Program. For the operating period ending June 30, 2005, LLCCP ended the year with operating revenues of \$87,915 compared to \$14,180 in 2003/2004. Operating expenditures of \$344,701 are comparatively higher than expenditures of \$177 in fiscal year 2003/2004. The significant increase in operations, mainly expenses, resulted in an operating loss of \$256,786, before interest income or transfers in.

PENSION FUNDING STATUS

The City’s employees are members of the California Public Employees’ Retirement System (PERS). PERS acts as a common investment and administrative agent for local governmental units and school districts throughout California. As of June 30, 2003, the date of the most recent actuarial valuation, the city has accumulated \$3.5 million in assets available to fund pension benefits as compared to the total pension benefit obligation of \$3.8 million, with a funded ratio of 90%. In 2003, CalPERS notified the City that the “City’s” share of retirement costs would rise to 2.757% for Miscellaneous employees and 10.957% for Public Safety employees, in fiscal year 2004/2005. For this year, the City paid \$493,386 in pension costs to PERS. The City continues to pay the 7% of the employee’s PERS contribution for Miscellaneous and Safety groups. The reason for the increase in the City’s (employer) share of retirement costs is due to lower performance in the stock market and a slow recovery in the economy.

DEBT ADMINISTRATION

As of June 30, 2005, the Redevelopment Agency had debt outstanding due to the issuance of Tax Allocation Refunding Bonds in 2003, with a principal amount payable of \$12,230,000. Also, the Loma Linda Public Financing Authority had \$8,880,000 of outstanding Lease Revenue Refunding Bonds issued in 2002. The City had \$9,050,812 in debt outstanding as follows: (1) 1978 Water bonds (general obligation) of \$20,000, (2) 1995 Water revenue refunding bonds of \$8,555,000, and (3) capital lease obligation of \$475,812 at June 30, 2005. Other debt recorded

in footnote 7 of the financial statements is not a legal obligation of the City and therefore not included here.

CASH MANAGEMENT

In order to maximize investment leverage, it is the City's practice to "pool" available cash from all Funds for investment purposes. In accordance with the annually adopted investment policy, available cash is invested with the goal of safety, meaning protection of principal, as the first priority, insuring adequate liquidity as the second priority, and maximizing yield as the third priority. As of June 30, 2005, the City's pooled cash investment portfolio (excluding cash with independent fiscal agents) totaled \$22,975,455 and was 100% invested in the State's Local Agency Investment Fund Pool (LAIF).

Total cash and investment balances increased \$2,141,685 (includes \$406,316 demand account balances) from June 30, 2004, increase is mainly attributed to the increase in development activities and corresponding fees and taxes collected as a result. As discussed previously, rising investment yields have contributed to an increased amount of overall interest revenue in the Governmental and other Fund types. The average rate on the pooled investment portfolio for the quarter ending June 30, 2005 was 2.85% (largely driven by LAIF), a rise from the prior year yield of 1.44% reflective of declining interest rates. At June 30, 2005, the benchmark six-month U.S. Treasury was 3.34%, a significant increase from the 1.68% yield at June 30, 2004. Federal monetary policy, driven by the Federal Reserve Bank, has raised the discount rate from 1-1/4%, the lowest in 40 years, by 300 basis points to 4-1/4% at June 30, 2005. As rates begin to rise, the City's investment portfolio will start to yield higher returns relative to the rising investment yields. The State's LAIF pool continues to be a good option for the City's investment portfolio until such time that the yield curve improves, providing better yields in the one- or two-year maturity period of U.S. Treasuries.

RISK MANAGEMENT

The City of Loma Linda is a member of the California Joint Powers Insurance Authority (Authority), which is composed of 110 California public entities organized under a joint powers agreement. The purpose of the Authority is to arrange and administer programs for the pooling of self-insured losses, to purchase excess insurance or reinsurance and to arrange for group purchased insurance for property and other coverage.

General Liability - As a member, the City carries a self-insured retention of \$30,000 per occurrence and is insured through the Authority from \$30,001 to \$15,000,000. Costs of covered claims above \$15,000,000 are currently paid by reinsurance. The protection for each member is \$50,000,000 per occurrence and \$50,000,000 annual aggregate.

Workers Compensation - The City also participates in the Workers' Compensation Pool administered by the Authority. The City is charged for the first \$50,000 of each claim. Costs above \$50,000, and up to \$2,000,000 per claim are pooled based on member losses under its retention level and on payroll. Costs between \$2,000,000 and \$50,000,000 are covered by excess insurance purchased by the Authority. The excess insurance provides coverage to statutory limits. Costs in excess of \$50,000,000 are pooled by the members based on payroll.

INDEPENDENT AUDIT

An independent audit of the City's records was performed for the year ended June 30, 2005 by the certified public accounting firm of Lance, Soll & Lunghard. The auditors report on the general-purpose financial statements, and combining and individual fund statements and schedules is included in the Financial Section of the Report. In fiscal year 2002/2003, the audit was expanded to cover the government-wide financial statements required by GASB 34.

In general, the auditors concluded that the financial statements and schedules referred to above present fairly, in all material respects, the financial position of the City of Loma Linda and the Loma Linda Redevelopment Agency, as of June 30, 2005, and the results of its operations and cash flows of its proprietary fund types for the year then ended in conformity with generally accepted accounting principles. The professionalism and knowledge exhibited by Lance, Soll & Lunghard during the audit is appreciated.

AWARD

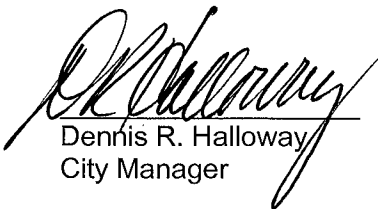
This annual financial report was prepared according to the Government Finance Officers Association (GFOA) and California Society of Municipal Finance Officers Association (CSMFO) guidelines for their Award in financial reporting. We believe that our annual financial report conforms to the Award program requirements of both GFOA and CSMFO; the Report will be submitted for consideration of the Award for the 2004/2005 fiscal year.

ACKNOWLEDGMENTS

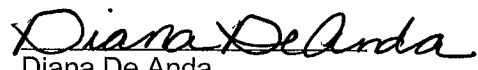
The preparation of this report would not have been possible without the efficient and dedicated services of the entire staff of the Finance Department and other City Departments that provided data for preparation of the Statistical section of the Report. We would like to express our appreciation to all members of the department who assisted and contributed to the preparation of this report.

We would like to extend our appreciation to the Mayor, City Council, and each City Department for their cooperation and support in conducting the fiscal operations of the City.

Respectfully submitted,



Dennis R. Halloway
City Manager



Diana De Anda
Finance Director/Treasurer

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Loma Linda,
California

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2004

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



President

Executive Director

California Society of Municipal Finance Officers

Certificate of Award

Outstanding Financial Reporting 2003-04

Presented to the

City of Loma Linda

*This certificate is issued in recognition of meeting professional standards and criteria in reporting
which reflect a high level of quality in the annual financial statements
and in the underlying accounting system from which the reports were prepared.*

February 24, 2005

William A. Stand

**Bill Thomas, Chair
Professional & Technical Standards Committee**

Dedicated to Excellence in Municipal Financial Management



LIST OF ELECTED AND APPOINTED CITY OFFICIALS

ELECTED OFFICIALS

Floyd Petersen
Mayor

Stan Brauer
Mayor Pro Tempore

Robert Christman
Councilmember

Charles Umeda
Councilmember

Robert Ziprick
Councilmember

APPOINTED OFFICIALS

Dennis R. Halloway
City Manager/Economic Development Director

Richard Holdaway
City Attorney

Pamela Byrnes O'Camb
City Clerk

Diana De Anda
Finance Director/Treasurer

Michael Norris
Fire Chief

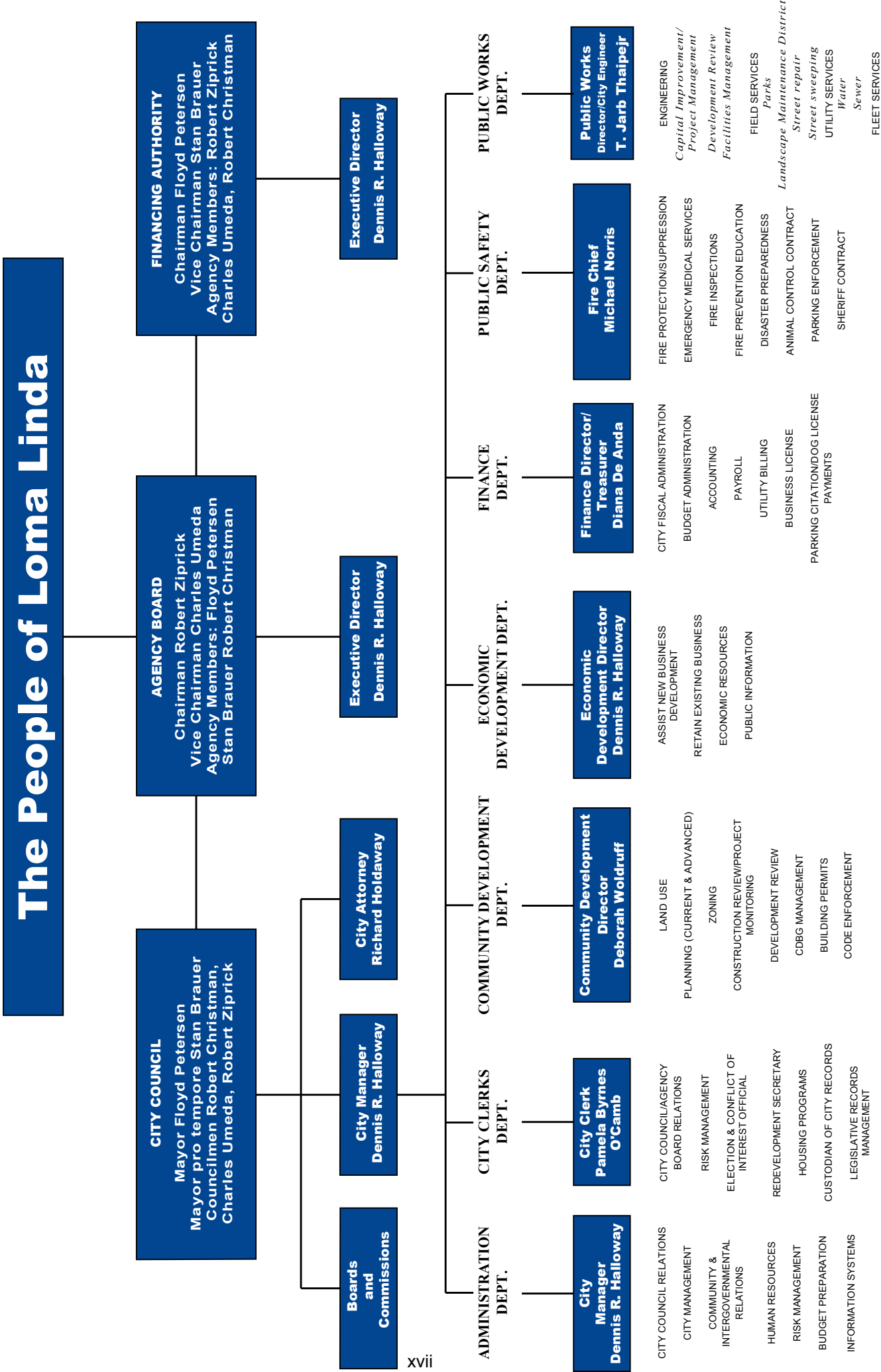
T. Jarb Thaipejr
Public Works Director

James Hettrick
Information Systems Director

Deborah Woldruff
Community Development Director

CITY of LOMA LINDA

ORGANIZATION CHART



Financial Section





Brandon W. Burrows
Donald L. Parker
Michael K. Chu
David E. Hale
A Professional Corporation
Donald G. Slater
Richard K. Kikuchi

Certified Public Accountants

Retired
Robert C. Lance
1914-1994
Richard C. Soll
Fred J. Lunghard, Jr.
1928-1999

INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and Members of the City Council
City of Loma Linda, California

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Loma Linda, California, as of and for the year ended June 30, 2005, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Loma Linda's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion the financial statements referred to above present fairly in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Loma Linda, as of June 30, 2005, and the respective changes in financial position and cash flows where applicable thereof, and the respective budgetary comparison of the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 25, 2005, on our consideration of the City of Loma Linda's internal control over financial reporting and our tests of its compliance with certain laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures that consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.





To the Honorable Mayor and Members of the City Council
City of Loma Linda, California

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying introductory section, the combining and individual fund statements, schedules and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying combining and individual nonmajor fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The accompanying introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Lance, Soll & Lunghard, LLP

August 25, 2005

Management's Discussion and Analysis



CITY OF LOMA LINDA

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the City of Loma Linda's financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2005. Please read it in conjunction with the accompanying transmittal letter and the accompanying basic financial statements.

FINANCIAL HIGHLIGHTS

- The City's assets exceeded its liabilities by \$44,180,209 (net assets); of this amount \$14,260,126 is unrestricted.
- The City's net assets increased 16.6% from \$37,864,466 at the beginning of the year to \$44,180,209 at the end of the year. The increase can be mainly attributed revenues associated with increased development activity within the City. Additionally, there is a \$380,244 positive restatement of the beginning net assets due mainly to an overstatement of expenditures as shown in the *statement of activities* on page 13 and note 15 to the financial statements.
- During the current year, taxes and other governmental revenues and business-type revenues exceeded expenses by \$5,935,499, as shown in the *statement of activities*. Significant increases to assessed valuation in the Redevelopment Agency accounted for the majority of the increase in property tax revenues. The balance can be attributed to increases in interest earnings on investments and housing loans, along with development service charges and impact fees collected.
- During the year, the General Fund reported a positive net change in fund balance of \$1,565,936, due to higher overall revenues.
- For the General Fund, the actual resources available for appropriation (revenue inflows and fund balance) were more than the final budget by \$831,765 while actual appropriations (outflows) were \$773,821 less than the final budget.
- Overall, in the current year, the City has sustained a healthy financial position with positive changes to net assets in both the General Fund and the City as a whole. City Council and management annually make great efforts to adopt a balanced budget that preserves, if not adds, to unrestricted fund balance. The City strives to maintain a portion of unrestricted general fund balance for emergency purposes and equipment replacement. In the adopted budget for fiscal year 2005/2006 this represented 17% of the general fund budget.

USING THIS ANNUAL REPORT

The discussion and analysis is intended to serve as an introduction to the City of Loma Linda's basic financial statements. The basic financial statements consist of three components: 1) *government-wide financial statements*, 2) *fund financial statements*, and 3) *notes* to the financial statements.

The *Government-wide statements* provide information about the activities of the City as a whole and present a longer-term view of the City's finances. These statements consist of the *statement of net assets* and *statement of activities*.

Fund financial statements, which consist of the *governmental funds*, *proprietary funds* and *fiduciary funds*, report the City's operations in more detail than the government-wide statements by providing information about the City's most significant (major) funds. The *governmental fund* statements also tell how City services were financed in the short term as well as what remains for future spending. The *proprietary funds* statements use the same accounting method as the business-type activities, but provide more detail of the activities. The *fiduciary fund* statements provide financial information about activities for which the City acts solely as a trustee or agent for the benefit of those outside of the government.

Reporting the City as a Whole

The Government-wide Financial Statements

One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of this year's activities?" The *statement of net assets* and the *statement of activities* report information about the City as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the City's *net assets* and changes in them. The reader can think of the City's net assets - the difference between assets and liabilities - as one way to measure the City's financial health, or *financial position*. Over time, *increases* or *decreases* in the City's net assets are one indicator of whether its *financial health* is improving or deteriorating. However, to assess the *overall health* of the City the reader will need to consider other non-financial factors, such as changes in the City's property tax base and the condition of the City's roads and other infrastructure.

The *statement of net assets* and the *statement of activities* present information about the following:

- Governmental activities - All of the City's basic services are considered to be governmental activities, including general government, community development, public safety and public works. Property taxes, motor vehicle in lieu, sales taxes, and franchise fees, finance most of these activities.
- Component units - The City's governmental activities include the Redevelopment Agency and the Public Financing Authority of the City of Loma Linda.

Reporting the City's Most Significant Funds

Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds - not the City as a whole. Some funds are required to be established by State Law and by bond covenants. However, the City Council establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money. The City's three kinds of funds - *governmental*, *proprietary* and *fiduciary* - use different accounting approaches.

Governmental funds - Most of the City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other *financial* assets that can readily be converted into cash. The governmental fund statements provide a detailed *short-term view* of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. We describe the relationship (or differences) between governmental *activities* (reported in the *statement of net assets* and the *statement of activities*) and governmental *funds* in reconciliation at the bottom of the fund financial statements.

The City of Loma Linda maintains twenty eight individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental statement of revenues, expenditures and changes in fund balances for the general fund, special projects construction fund, redevelopment capital projects fund and the redevelopment debt service fund; which are considered to be *major* funds. The remaining twenty four *non-major* funds are combined and presented in the other governmental funds column. Individual fund detail for the *non-major* funds is presented in the *combining statements* located on pages 58-68 of this report.

Proprietary funds - When the City charges customers for certain services it provides, these services are generally reported in proprietary funds. There are two types of proprietary funds: enterprise fund (*business-type activities*) and internal service funds (internal allocation of costs). Proprietary funds are reported on the full accrual basis of accounting, which is the same method that all activities are reported in the *statement of net assets* and the *statement of activities*.

The City of Loma Linda maintains four enterprise funds to account for Water, Sewer and the Loma Linda Connected Communities program activities. The four funds are considered to be *major* funds and as such detail activity is presented in the *statement of net assets* on pages 23-24.

Fiduciary Funds - The City is the trustee, or fiduciary, for certain amounts held on behalf of developers, property owners, and others. The City's fiduciary activities are reported in separate *statement of fiduciary net assets* and *changes in fiduciary net assets*. We exclude these activities from the City's other financial statements because the City cannot use these assets to finance its operations. The City is responsible for ensuring that the assets reported in these funds are used for their intended purposes. The statement of fiduciary net assets can be found on page 29.

Notes to the financial statements – Additional information that is crucial to a full understanding of the figures provided in the government-wide and fund financial statements is provided in the notes to the financial statements. The notes to the financial statements can be found on pages 31-56 of this report.

Other information - The *combining* and *individual fund* statements and schedules can be found on pages 58-96 of this report.

Government-wide Financial Analysis

Our analysis focuses on the net assets (Table 1) and changes in net assets (Table 2) of the City's governmental and business-type activities reported in the government-wide statements.

Table 1
City of Loma Linda's Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2005	2004	2005	2004	2005	2004
Current and other assets	\$ 28,716,486	\$ 24,928,032	\$ 14,049,144	\$ 14,623,056	\$ 42,765,630	\$ 39,551,088
Capital assets	<u>16,001,503</u>	<u>15,688,166</u>	<u>19,477,554</u>	<u>17,660,141</u>	<u>35,479,057</u>	<u>33,348,307</u>
Total Assets	<u>\$ 44,717,989</u>	<u>\$ 40,616,198</u>	<u>\$ 33,526,698</u>	<u>\$ 32,283,197</u>	<u>\$ 78,244,687</u>	<u>\$ 72,899,395</u>
Long-term liabilities	\$ 21,611,158	\$ 22,711,139	\$ 8,875,501	\$ 9,154,327	\$ 30,486,659	\$ 31,865,466
Other liabilities	<u>2,424,226</u>	<u>2,506,141</u>	<u>1,153,593</u>	<u>663,322</u>	<u>3,577,819</u>	<u>3,169,463</u>
Total Liabilities	<u>\$ 24,035,384</u>	<u>\$ 25,217,280</u>	<u>\$ 10,029,094</u>	<u>\$ 9,817,649</u>	<u>\$ 34,064,478</u>	<u>\$ 35,034,929</u>
Net Assets:						
Invested in capital assets, net of debt	\$ (4,459,538)	\$ 15,688,166	\$ 10,713,919	\$ 8,290,384	\$ 6,254,381	\$ 23,978,550
Restricted	9,442,397	7,966,878	14,223,305	13,488,872	23,665,702	21,455,750
Unrestricted	<u>15,699,746</u>	<u>(8,256,126)</u>	<u>(1,439,620)</u>	<u>686,292</u>	<u>14,260,126</u>	<u>(7,569,834)</u>
Total Net Assets	<u>\$ 20,682,605</u>	<u>\$ 15,398,918</u>	<u>\$ 23,497,604</u>	<u>\$ 22,465,548</u>	<u>\$ 44,180,209</u>	<u>\$ 37,864,466</u>

The City's net assets from governmental activities increased 34.3% from \$15,398,918 to \$20,682,605. This increase of \$5,283,687 comes mainly from a positive \$4,994,294 change in net assets and a \$289,393 positive restatement of last year's net assets recorded in the *statement of activities* that flows through to the *statement of net assets*.

Table 2
City of Loma Linda's Changes in Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2005	2004	2005	2004	2005	2004
Program Revenues:						
Charges for services	\$ 6,852,772	\$ 5,241,953	\$ 6,484,517	\$ 5,828,341	\$ 13,337,289	\$ 11,070,294
Operating grants and contributions	589,251	897,642	-	-	589,251	897,642
Capital grants and contributions	154,848	522,679	-	-	154,848	522,679
General Revenues:						
Taxes	9,032,034	7,755,937	-	-	9,032,034	7,755,937
Intergovernmental	1,597,971	923,229	-	-	1,597,971	923,229
Use of money and property	1,795,884	747,461	733,815	614,862	2,529,699	1,362,323
Other	<u>1,402,044</u>	<u>2,247,743</u>	<u>699,057</u>	<u>136,796</u>	<u>2,101,101</u>	<u>2,384,539</u>
Total Revenues	<u>21,424,804</u>	<u>18,336,644</u>	<u>7,917,389</u>	<u>6,579,999</u>	<u>29,342,193</u>	<u>24,916,643</u>
Expenses:						
Governmental Activities:						
General government	2,857,749	2,604,254	-	-	2,857,749	2,604,254
Public safety	4,958,618	4,656,425	-	-	4,958,618	4,656,425
Community development	2,738,015	2,077,026	-	-	2,738,015	2,077,026
Public works	3,694,483	4,038,195	-	-	3,694,483	4,038,195
Interest on long-term debt	2,111,982	2,412,503	-	-	2,111,982	2,412,503
Business-Type Activities:						
Water acquisition	-	-	80,784	115,719	80,784	115,719
Water	-	-	3,950,270	3,352,615	3,950,270	3,352,615
Sewer	-	-	2,670,092	2,417,446	2,670,092	2,417,446
LL Connected Communities	<u>-</u>	<u>-</u>	<u>344,701</u>	<u>177</u>	<u>344,701</u>	<u>177</u>
Total Expenses	<u>16,360,847</u>	<u>15,788,403</u>	<u>7,045,847</u>	<u>5,885,957</u>	<u>23,406,694</u>	<u>21,674,360</u>
Changes in Net Assets before Transfers	<u>5,063,957</u>	<u>2,548,241</u>	<u>871,542</u>	<u>694,042</u>	<u>5,935,499</u>	<u>3,242,283</u>
Transfers	(69,663)	270	69,663	(270)	-	-
Change in Net Assets	<u>4,994,294</u>	<u>2,548,511</u>	<u>941,205</u>	<u>693,772</u>	<u>5,935,499</u>	<u>3,242,283</u>
Net Assets at Beginning of Year	15,398,918	7,236,580	22,465,548	21,771,776	37,864,466	29,008,356
Restatement of Net Assets	289,393	5,613,827	90,851	-	380,244	5,613,827
Net Assets at End of Year	<u>\$ 20,682,605</u>	<u>\$ 15,398,918</u>	<u>\$ 23,497,604</u>	<u>\$ 22,465,548</u>	<u>\$ 44,180,209</u>	<u>\$ 37,864,466</u>

As shown above, the change in net assets is a positive \$4,994,294 for *governmental activities* and positive \$941,205 for *business-type activities*, with a combined total net increase in net assets of \$5,935,499 for the fiscal year ending June 30, 2005. In comparison to fiscal year 2004, the net asset for *governmental activities* increased by \$2,693,216 in fiscal year 2005. This increase can be mainly attributed to revenues associated with rising development activity within the City; increases in property taxes due to higher assessed valuations, residential development service charges and impact fees, and investment earning due to higher balances and interest rates.

Table 3
City of Loma Linda
Schedule of Changes in Fixed Assets/Infrastructure

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	2005	2004	2005	2004	2005	2004
Asset Type:						
Land	\$ -	\$ -	\$ 25,875	\$ -	\$ 25,875	\$ -
Construction in progress	262,758	503,794	1,055,729	164,344	1,318,487	668,138
Structures, machinery and equipment	342,981	658,967	753,961	397,098	1,096,942	1,056,065
Infrastructure	<u>1,074,077</u>	<u>796,337</u>	<u>1,216,258</u>	<u>636,498</u>	<u>2,290,335</u>	<u>1,432,835</u>
Total Additions	1,679,816	1,959,098	3,051,823	1,197,940	4,731,639	3,157,038
Less: Decreases and depreciation	<u>(1,366,479)</u>	<u>(1,326,794)</u>	<u>(1,234,410)</u>	<u>(1,231,292)</u>	<u>(2,600,889)</u>	<u>(2,558,086)</u>
Capital Asset Increase/(Decrease)	<u>\$ 313,337</u>	<u>\$ 632,304</u>	<u>\$ 1,817,413</u>	<u>\$ (33,352)</u>	<u>\$ 2,130,750</u>	<u>\$ 598,952</u>

As shown above, *capital assets* increased \$313,337 and \$1,817,413 (net of depreciation) for *governmental* and *business-type activities*, for a total of \$2,130,750.

Infrastructure assets amounts in *governmental activities* only reflect additions for fiscal year ended June 30, 2005. The City expects to provide prior-year infrastructure for *governmental activities* in the ensuing fiscal year financial statements.

Government Activities

Table 4 presents the *total cost* of each of the City's major public services in general government, community development, public safety, public works, and interest expense. Also included is each program's *net cost* (total cost less revenues generated by the activities). The *net cost* shows the financial burden that was placed on the City's taxpayers by each of these functions.

Table 4
City of Loma Linda
Net Cost of Governmental Activities

	<u>Total Cost</u>		<u>Net Cost</u>	
	2005	2004	2005	2004
Functions:				
General government	\$ 2,857,749	\$ 2,604,254	\$ 2,796,594	\$ 2,158,557
Public safety	4,958,618	4,656,425	4,050,517	4,000,754
Community development	2,738,015	2,077,026	(154,740)	310,400
Public works	3,694,483	4,038,195	(40,377)	243,915
Interest on long-term debt	<u>2,111,982</u>	<u>2,412,503</u>	<u>2,111,982</u>	<u>2,412,503</u>
Total Governmental Activities	<u>\$ 16,360,847</u>	<u>\$ 15,788,403</u>	<u>\$ 8,763,976</u>	<u>\$ 9,126,129</u>

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

At year-end, the City's *governmental funds* reported combined fund balances of \$18,809,973; Included in this amount is a net increase in fund balance for the General Fund of \$1,565,936 and an increase of \$226,339 in the Capital Projects Fund of the Redevelopment Agency.

The General Fund had net operating excess (revenues over expenditures) of \$1,461,066.

General Fund Budgetary Highlights

The final appropriations of the *General Fund* at year-end were \$773,821 less than the final budget. The positive budget-to-actual variance in appropriations was primarily due to a decrease in spending. Actual revenues were more than the final budget by \$831,765 partially due to an increase in the issuance of building permits, property taxes and the early repayment of the Motor Vehicle License Fee (VLF) backfill loan borrowed by the State in fiscal year 2003/2004. Budget amendments and supplemental appropriations were made during the year to diminish budget overruns and to increase appropriations for unanticipated expenditures after adoption of the original budget. The original revenue budget was increased by \$381,500 (including transfers in) while the expenditure appropriations budget was increased by \$327,950 as of the final budget on June 30, 2005.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal year 2005, the City had \$35,479,057 invested in a broad range of capital assets, including fire and public safety equipment, buildings, land, park facilities, and roads (See Table 5 below).

Table 5
City of Loma Linda
Capital Assets at Year End
Net of Depreciation

	Governmental Activities		Business-Type Activities		Total	
	2005	2004	2005	2004	2005	2004
Asset Type:						
Land	\$ 5,019,188	\$ 5,019,188	\$ 1,389,696	\$ 1,363,821	\$ 6,408,884	\$ 6,383,009
Construction in progress	823,323	881,981	1,068,697	575,776	1,892,020	1,457,757
Structures, machinery & equipment	8,288,970	8,999,490	14,438,415	14,588,395	22,727,385	23,587,885
Infrastructure	<u>1,870,022</u>	<u>787,507</u>	<u>2,580,746</u>	<u>1,132,149</u>	<u>4,450,768</u>	<u>1,919,656</u>
Total	<u>\$ 16,001,503</u>	<u>\$ 15,688,166</u>	<u>\$ 19,477,554</u>	<u>\$ 17,660,141</u>	<u>\$ 35,479,057</u>	<u>\$ 33,348,307</u>

The total increase in the City of Loma Linda investment in capital assets for fiscal year 2005 was 6% (a 2% increase in *governmental activities* and 10% increase in *business-type activities*). The major capital assets added include: \$387,884 for sidewalk installation, \$110,275 for Park playground resurfacing and equipment additions, \$401,721 for street rehabilitation, \$214,160 for upgrade and replacement of sewer lines and mains, and \$1.5 million for the installation of fiber optics infrastructure and computer equipment for the Loma Linda Connected Communities Program.

Long-Term Debt

Governmental Activities - In fiscal year 2003, the City of Loma Linda and the Loma Linda Redevelopment Agency formed the Loma Linda Public Financing Authority, pursuant to a joint exercise of powers agreement dated September 10, 2002. This action allowed the City to issue \$10.2 million in Lease Revenue Refunding Bonds (to refund 1994 Certificates of Participation), which reduced annual debt service payments, as of June 30, 2005 outstanding principal is \$8,880,000. Additionally, in fiscal year 2004 the Redevelopment Agency issued \$12.6 million in tax allocation revenue bonds to refund higher-interest rate debt of the Agency as well as provide for additional funding for future redevelopment projects, currently the outstanding balance is \$12,230,000. On July 23, 2002, the City took advantage of lower interest rates, by entered into a lease agreement with CaLease Public Funding for the purchase of various pieces of equipment in the amount of \$543,700; at June 30, 2004, the outstanding balance is \$287,178. Note 7 to the financial statements offer a more detailed view of governmental Long-Term Debt.

Business-type Activities - The water enterprise fund has \$8,875,501 in outstanding long-term debt as of June 30, 2005. The water enterprise fund has bonded debt of \$8,575,000 consisting of the 1978 Water Bonds (General Obligation) with a current outstanding balance of \$20,000, scheduled to be redeemed in the fiscal year 2006; and the 1995 Variable Rate Water Revenue Refunding Bonds issued for \$10,000,000 with an outstanding balance of \$8,555,000. Both bond issues are paid with water operating revenues and a portion of water development impact fees for excess capacity previous built into the water system. The water enterprise fund also participated in the CaLease Public Funding purchase of equipment in the amount of \$347,100 and currently has a balance of \$188,635. Additional detailed information for Bonds Payable is shown in Note 8 to the financial statements.

Table 6
City of Loma Linda
Long-Term Debt at Year End

	Governmental Activities		Business-Type Activities		Total	
	2005	2004	2005	2004	2005	2004
Tax Allocation Refunding Bonds	\$ 12,230,000	\$ 12,610,000	\$ -	\$ -	\$ 12,230,000	\$ 12,610,000
Lease Revenue Refunding Bonds	8,880,000	9,555,000	-	-	8,880,000	9,555,000
1978 Water Bonds (General Obligation)	-	-	20,000	30,000	20,000	30,000
1995 Water Revenue Refunding Bonds	-	-	8,555,000	8,775,000	8,555,000	8,775,000
Compensated absences	422,876	393,124	111,866	91,015	534,742	484,139
Capital leases	287,177	393,276	188,635	258,312	475,812	651,588
Less: Unamortized loss on defeasance	(596,162)	(644,265)	-	-	(596,162)	(644,265)
Add: Unamortized bond premium	<u>387,267</u>	<u>404,004</u>	<u>-</u>	<u>-</u>	<u>387,267</u>	<u>404,004</u>
Total	\$ 21,611,158	\$ 22,711,139	\$ 8,875,501	\$ 9,154,327	\$ 30,486,659	\$ 31,865,466

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

According to the Los Angeles County Economic Development Corp., the Inland Empire (Riverside-San Bernardino area) experienced a good economic year in 2004, which is projected to continue in 2005. The Inland Empire will continue its pace in job growth with an increase of 3.5% through 2005. Numerically, this equals 39,000 new non-farm jobs for the area, with only Los Angeles County being higher by 27,800 (66,800 total). The Riverside-San Bernardino area is once again expected to lead the state in new residential construction activity, although overall this sector is expected to ease in 2005.

Loma Linda, like many cities in San Bernardino County, has experienced a steady economic growth in the current fiscal year. The City has seen and is projected to continue seeing additional increase in population, job growth and housing in the next few years. Like most cities experiencing rapid growth Loma Linda is faced with the challenges of increasing demands on city services. In an effort to address the additional demands for services, staff is currently working on several projects to maintain solid economic growth for the community, while preserving the existing level of services provided to the community. Staff is working diligently to make these projects a reality for the near future.

On June 14, 2005, the City Council and Redevelopment Agency (RDA) Board adopted the City of Loma Linda and RDA Operating and Capital Improvement Program (CIP) Budget for the Fiscal Year beginning July 1, 2005 and ending June 30, 2006. The General Fund operating budget totals \$12,503,600, and is funded by operating revenue of \$11,098,600 and transfers from other funds of \$1,501,300. The fund balance in the General Fund is expected to increase to \$3,980,900, with \$1,830,900 available and \$2,150,000 designated as an operating budget reserve. The combined City/RDA operating budget totals \$46,501,300, with total estimated resources available of \$82,449,157, for fiscal year 2005/2006. The approved CIP budget for fiscal year 2005/2006 totals \$14,376,200, with a five-year CIP investment plan estimated at \$23,178,000.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. For any questions about this report or additional financial information, please contact the City Manager and/or Finance Director/Treasurer of the City of Loma Linda, located at 25541 Barton Road, Loma Linda, CA 92354, (909) 799-2840, or visit their website at www.lomalinda-ca.gov.

Government-Wide Financial Statements



STATEMENT OF NET ASSETS
JUNE 30, 2005

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets:			
Cash and investments	\$ 15,576,334	\$ 7,718,425	\$ 23,294,759
Receivables:			
Accounts	329,143	622,231	951,374
Taxes	780,139	-	780,139
Contract and notes	1,076,896	-	1,076,896
Accrued interest	127,027	49,252	176,279
Internal balances	(5,025,821)	5,025,821	-
Prepaid costs	418,850	195,726	614,576
Inventories	11,997	169,385	181,382
Unamortized debt issuance costs	727,241	66,667	793,908
Due from other governments	744,168	165,000	909,168
Land held for resale	12,082,948	-	12,082,948
Restricted assets:			
Cash with fiscal agent	1,867,564	36,637	1,904,201
Capital assets not being depreciated	5,842,511	2,458,393	8,300,904
Capital assets, net of depreciation	10,158,992	17,019,161	27,178,153
Total Assets	44,717,989	33,526,698	78,244,687
Liabilities:			
Accounts payable	1,126,443	832,477	1,958,920
Accrued liabilities	54,230	18,672	72,902
Accrued interest	410,470	-	410,470
Unearned revenue	381,341	-	381,341
Deposits payable	448,952	302,444	751,396
Due to other governments	2,790	-	2,790
Noncurrent liabilities:			
Due within one year	1,421,147	377,474	1,798,621
Due in more than one year	20,190,011	8,498,027	28,688,038
Total Liabilities	24,035,384	10,029,094	34,064,478
Net Assets:			
Invested in capital assets, net of related debt	(4,459,538)	10,713,919	6,254,381
Restricted for:			
Community development projects	8,726	-	8,726
Capital projects	8,327,269	-	8,327,269
Debt service	1,106,402	14,223,305	15,329,707
Unrestricted	15,699,746	(1,439,620)	14,260,126
Total Net Assets	\$ 20,682,605	\$ 23,497,604	\$ 44,180,209

CITY OF LOMA LINDA

**STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2005**

		Program Revenues		
		Charges for	Operating	Capital
	Expenses	Services	Contributions and Grants	Contributions and Grants
Functions/Programs				
Primary Government:				
Governmental Activities:				
General government	\$ 2,857,749	\$ 23,534	\$ 37,621	\$ -
Public safety	4,958,618	759,324	148,777	-
Community development	2,738,015	2,867,323	25,432	-
Public works	3,694,483	3,202,591	377,421	154,848
Interest on long-term debt	2,111,982	-	-	-
Total Governmental Activities	16,360,847	6,852,772	589,251	154,848
Business-Type Activities:				
Water acquisition	80,784	525,563	-	-
Water enterprise	3,950,270	3,333,844	-	-
Sewer capital	2,670,092	2,538,822	-	-
Loma Linda Connected Communities	344,701	86,288	-	-
Total Business-Type Activities	7,045,847	6,484,517	-	-
Total Primary Government	\$ 23,406,694	\$ 13,337,289	\$ 589,251	\$ 154,848

General Revenues:

Taxes:

Property taxes, levied for general purpose

Sales taxes

Franchise taxes

Other taxes

Intergovernmental, unrestricted:

Motor vehicle in lieu

Use of money and property

Other

Transfers

**Total General Revenues, Contributions,
Total General Revenues and Transfers**

Change in Net Assets

Net Assets at Beginning of Year

Restatement of Net Assets

Net Assets at End of Year

See Notes to Financial Statements

Exhibit B

**Net (Expenses) Revenues and Changes in Net Assets
Primary Government**

Governmental Activities	Business-Type Activities	Total
\$ (2,796,594)	\$ -	\$ (2,796,594)
(4,050,517)	-	(4,050,517)
154,740	-	154,740
40,377	-	40,377
(2,111,982)	-	(2,111,982)
(8,763,976)	-	(8,763,976)
-	444,779	444,779
-	(616,426)	(616,426)
-	(131,270)	(131,270)
-	(258,413)	(258,413)
-	(561,330)	(561,330)
(8,763,976)	(561,330)	(9,325,306)
6,334,023	-	6,334,023
2,678,275	-	2,678,275
9,748	-	9,748
9,988	-	9,988
1,597,971	-	1,597,971
1,795,884	733,815	2,529,699
1,402,044	699,057	2,101,101
(69,663)	69,663	-
13,758,270	1,502,535	15,260,805
4,994,294	941,205	5,935,499
15,398,918	22,465,548	37,864,466
289,393	90,851	380,244
\$ 20,682,605	\$ 23,497,604	\$ 44,180,209

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Fund Financial Statements



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CITY OF LOMA LINDA
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2005

		Capital Projects Funds	
	General	Special Projects Construction	Redevelopment Agency
Assets:			
Pooled cash and investments	\$ 5,228,685	\$ 707,942	\$ 6,784,570
Receivables:			
Accounts	314,632	14,511	-
Taxes	486,382	-	38,730
Contract and notes	-	-	1,076,896
Accrued interest	33,284	7,152	52,396
Prepaid costs	359,558	-	54,394
Due from other governments	356,547	-	75,459
Due from other funds	-	78,415	462,836
Advances to other funds	-	13,262,000	185,000
Inventories	11,997	-	-
Land held for resale	-	-	12,082,948
Restricted assets:			
Cash and investments with fiscal agents	-	-	-
Total Assets	\$ 6,791,085	\$ 14,070,020	\$ 20,813,229
Liabilities and Fund Balances:			
Liabilities:			
Accounts payable	\$ 830,933	\$ 1,327	\$ 170,233
Accrued liabilities	46,693	-	6,974
Due to other funds	-	-	723,606
Deferred revenues	75,836	6,654,410	88,155
Unearned revenue	-	-	-
Advances from other funds	277,500	-	10,058,479
Deposits payable	396,483	1,500	38,561
Due to other governments	2,790	-	-
Total Liabilities	1,630,235	6,657,237	11,086,008
Fund Balances:			
Reserved:			
Reserved for encumbrances	63,814	-	36,301
Reserved for inventories	11,997	-	-
Reserved for prepaid costs	359,558	-	54,394
Reserved for sewer capacity rights	-	-	79,862
Reserved for land held for resale	-	-	12,082,948
Reserved for long-term receivables	-	-	997,034
Reserved for advances to other funds	-	13,262,000	185,000
Unreserved:			
Unreserved, reported in nonmajor:			
Special revenue funds	-	-	-
Capital projects funds	-	-	-
Debt service funds	-	-	-
Undesignated	4,725,481	(5,849,217)	(3,708,318)
Total Fund Balances	5,160,850	7,412,783	9,727,221
Total Liabilities and Fund Balances	\$ 6,791,085	\$ 14,070,020	\$ 20,813,229

See Notes to Financial Statements

Exhibit C

Debt Service Funds		
Redevelopment Agency	Other Governmental Funds	Total Governmental Funds
\$ 17,640	\$ 2,837,497	\$ 15,576,334
-	-	329,143
154,920	100,107	780,139
-	-	1,076,896
13,269	20,926	127,027
-	4,898	418,850
-	312,162	744,168
302,525	-	843,776
-	195,390	13,642,390
-	-	11,997
-	-	12,082,948
717,526	1,150,038	1,867,564
\$ 1,205,880	\$ 4,621,018	\$ 47,501,232
\$ -	\$ 123,950	\$ 1,126,443
-	563	54,230
41,755	78,415	843,776
-	347,115	7,165,516
-	381,341	381,341
8,332,232	-	18,668,211
-	12,408	448,952
-	-	2,790
8,373,987	943,792	28,691,259
-	106,684	206,799
-	-	11,997
-	4,898	418,850
-	-	79,862
-	-	12,082,948
-	-	997,034
-	195,390	13,642,390
-	1,011,723	1,011,723
-	1,252,129	1,252,129
-	1,106,402	1,106,402
(7,168,107)	-	(12,000,161)
(7,168,107)	3,677,226	18,809,973
\$ 1,205,880	\$ 4,621,018	\$ 47,501,232

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**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2005**

Fund balances of governmental funds	\$ 18,809,973
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets net of depreciation have not been included as financial resources in governmental fund activity.	16,001,503
Long-term debt and compensated absences have not been included in the governmental fund activity:	
Long-Term Debt	(21,188,282)
Compensated Absences	(422,876)
Costs of issuing bonds are recognized as an expenditure in the period paid, however, in the Statement of Net Assets, they are amortized over the life of the bonds.	727,241
Accrued interest payable for the current portion of interest due on Tax Allocation Bonds has not been reported in the governmental funds.	(410,470)
The accrued interest on interfund loans between the City and Redevelopment Agency were recorded as deferred revenue in the governmental funds. They are included as interest revenue in the governmental fund activity.	6,818,402
Revenues on the Statement of Activities that do not provide current financial resources are reported as deferred revenue on the fund level statements	347,114
Net assets of governmental activities	<u>\$ 20,682,605</u>

CITY OF LOMA LINDA

**STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2005**

		Capital Projects Funds	
	General	Special Projects Construction	Redevelopment Agency
Revenues:			
Taxes	\$ 4,235,466	\$ -	\$ 877,908
Licenses and permits	1,274,884	-	-
Intergovernmental	1,714,497	-	-
Charges for services	2,937,522	-	-
Use of money and property	413,678	220,457	300,580
Fines and forfeitures	21,039	-	-
Contributions	518	-	-
Miscellaneous	1,670,172	-	4,649
Developer participation	-	-	-
Total Revenues	12,267,776	220,457	1,183,137
Expenditures:			
Current:			
General government	969,006	-	1,871,059
Public safety	4,976,015	-	-
Community development	1,780,382	-	514,712
Public works	2,963,197	-	-
Capital outlay	-	-	-
Debt service:			
Principal retirement	101,986	-	-
Interest and fiscal charges	16,124	-	-
Total Expenditures	10,806,710	-	2,385,771
Excess (Deficiency) of Revenues Over (Under) Expenditures	1,461,066	220,457	(1,202,634)
Other Financing Sources (Uses):			
Transfers in	1,083,089	-	1,482,622
Transfers out	(978,219)	(532,960)	(53,649)
Total Other Financing Sources (Uses)	104,870	(532,960)	1,428,973
Net Change in Fund Balances	1,565,936	(312,503)	226,339
Fund Balances, Beginning of Year, as originally reported	3,284,199	7,725,286	9,500,882
Restatements	310,715	-	-
Fund Balances, Beginning of Year, as restated	3,594,914	7,725,286	9,500,882
Fund Balances, End of Year	\$ 5,160,850	\$ 7,412,783	\$ 9,727,221

See Notes to Financial Statements

Exhibit E

Debt Service Fund		
Redevelopment Agency	Other Governmental Funds	Total Governmental Funds
\$ 3,302,855	\$ 924,870	\$ 9,341,099
-	-	1,274,884
-	1,230,109	2,944,606
-	178,402	3,115,924
26,054	86,196	1,046,965
-	144,018	165,057
-	43,371	43,889
-	14,268	1,689,089
-	1,556,016	1,556,016
3,328,909	4,177,250	21,177,529
-	50,247	2,890,312
-	220	4,976,235
-	438,234	2,733,328
-	743,514	3,706,711
-	244,200	244,200
384,113	675,000	1,161,099
1,703,071	330,763	2,049,958
2,087,184	2,482,178	17,761,843
1,241,725	1,695,072	3,415,686
1,418	978,788	3,545,917
(464,000)	(1,586,752)	(3,615,580)
(462,582)	(607,964)	(69,663)
779,143	1,087,108	3,346,023
(7,947,250)	2,593,104	15,156,221
-	(2,986)	307,729
(7,947,250)	2,590,118	15,463,950
\$ (7,168,107)	\$ 3,677,226	\$ 18,809,973

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2005**

Net change in fund balances - total governmental funds	\$ 3,346,023
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the costs of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	331,673
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.	1,089,015
Accrued interest on long-term debt. This is the net change in accrued interest for the current period.	10,060
Compensated absences expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	(29,752)
The accrued interest on interfund loans between the City and Redevelopment Agency were recorded as deferred revenue in the governmental funds. They are included as interest revenue in the governmental fund activity.	(99,839)
Certain revenues were recorded as deferred revenue in the governmental funds because they do not meet the revenue recognition criteria of availability. However, they are included as revenue in the statement of activity under full accrual basis.	<u>347,114</u>
Change in net assets of governmental activities	<u>\$ 4,994,294</u>

**BUDGETARY COMPARISON STATEMENT BY DEPARTMENT
GENERAL FUND
YEAR ENDED JUNE 30, 2005**

	Budget Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
Budgetary Fund Balance, July 1	\$ 3,594,914	\$ 3,594,914	\$ 3,594,914	\$ -
Resources (Inflows):				
Taxes	3,799,500	3,711,200	4,235,466	524,266
Licenses and permits	958,900	1,381,200	1,274,884	(106,316)
Intergovernmental	1,044,200	1,176,400	1,714,497	538,097
Charges for services	3,059,000	2,874,800	2,937,522	62,722
Use of money and property	359,000	370,900	413,678	42,778
Fines and forfeitures	21,200	21,700	21,039	(661)
Other	1,774,900	1,892,900	1,670,172	(222,728)
Contributions	-	-	518	518
Transfers from other funds	1,120,900	1,090,000	1,083,089	(6,911)
Amounts Available for Appropriation	15,732,514	16,114,014	16,945,779	831,765
Charges to Appropriation (Outflow):				
City council	70,000	71,100	67,765	3,335
City clerk	88,600	88,600	80,145	8,455
City manager	157,200	157,200	153,456	3,744
Finance	317,100	328,400	289,625	38,775
Information systems	83,500	83,500	73,905	9,595
Planning	360,900	419,850	358,975	60,875
Planning - building and safety	924,700	1,022,300	879,159	143,141
General government	335,700	346,900	284,040	62,860
Police services	1,938,000	1,938,000	1,886,279	51,721
Code enforcement	119,800	94,280	76,245	18,035
Parking control	138,300	140,789	121,387	19,402
Fire prevention	206,100	199,829	152,052	47,777
Fire and rescue services	2,751,600	2,773,020	2,670,144	102,876
Disaster preparedness	104,200	107,702	71,991	35,711
Animal regulation	72,500	75,080	74,162	918
Traffic safety	205,000	252,800	244,490	8,310
Engineering	200,000	260,400	251,730	8,670
Street maintenance	500,000	502,000	487,313	14,687
Facilities maintenance	167,800	188,800	163,941	24,859
Refuse	1,819,400	1,823,500	1,775,322	48,178
Recycling	46,200	46,200	40,401	5,799
Parks	476,900	480,900	466,003	14,897
Senior center	33,300	33,300	20,070	13,230
Transfers out	995,800	1,006,100	978,219	27,881
Principal	102,000	102,000	101,986	14
Interest	16,200	16,200	16,124	76
Total Charges to Appropriations	12,230,800	12,558,750	11,784,929	773,821
Budgetary Fund Balance, June 30	\$ 3,501,714	\$ 3,555,264	\$ 5,160,850	\$ 1,605,586

CITY OF LOMA LINDA
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2005

	Water Acquisition	Water Enterprise	Sewer Capital
Assets:			
Current:			
Cash and investments	\$ 2,745,177	\$ 2,370,314	\$ 2,385,917
Receivables:			
Accounts	-	356,180	253,341
Accrued interest	12,115	19,789	17,348
Due from other funds	4,878,341	-	-
Due from other governments	165,000	-	-
Prepaid costs	-	159,615	36,111
Inventories	-	168,865	520
Unamortized bond issuance costs	-	66,667	-
Total Current Assets	7,800,633	3,141,430	2,693,237
Noncurrent:			
Restricted cash and investments:			
Cash with fiscal agent	-	36,637	-
Advances to other funds	6,526,321	807,500	-
Fixed assets - net of accumulated depreciation	-	14,752,944	2,679,978
Total Noncurrent Assets	6,526,321	15,597,081	2,679,978
Total Assets	\$ 14,326,954	\$ 18,738,511	\$ 5,373,215
Liabilities and Net Assets:			
Liabilities:			
Current:			
Accounts payable	\$ 87,068	\$ 276,094	\$ 361,577
Deposits	16,581	42,885	224,564
Accrued payroll payable	-	11,647	4,890
Due to other funds	-	4,878,341	-
Total Current Liabilities	103,649	5,208,967	591,031
Noncurrent:			
Advances from other funds	-	-	-
Bonds, notes and loans payable	-	8,798,419	67,405
Total Noncurrent Liabilities	-	8,798,419	67,405
Total Liabilities	103,649	14,007,386	658,436
Net Assets:			
Invested in capital assets, net of related debt	-	6,022,127	2,647,160
Restricted for other purposes	14,223,305	-	-
Unrestricted	-	(1,291,002)	2,067,619
Total Net Assets	14,223,305	4,731,125	4,714,779
Total Liabilities and Net Assets	\$ 14,326,954	\$ 18,738,511	\$ 5,373,215

See Notes to Financial Statements

Exhibit H

Loma Linda Connected Communities	Totals
\$ 217,017	\$ 7,718,425
12,710	622,231
-	49,252
-	4,878,341
-	165,000
-	195,726
-	169,385
-	66,667
229,727	13,865,027
-	36,637
-	7,333,821
2,044,632	19,477,554
2,044,632	26,848,012
\$ 2,274,359	\$ 40,713,039
\$ 107,738	\$ 832,477
18,414	302,444
2,135	18,672
-	4,878,341
128,287	6,031,934
2,308,000	2,308,000
9,677	8,875,501
2,317,677	11,183,501
2,445,964	17,215,435
2,044,632	10,713,919
-	14,223,305
(2,216,237)	(1,439,620)
(171,605)	23,497,604
\$ 2,274,359	\$ 40,713,039

CITY OF LOMA LINDA
STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2005

	Water Acquisition	Water Enterprise	Sewer Capital
Operating Revenues:			
Sales and service charges	\$ 525,563	\$ 3,333,844	\$ 2,538,822
Miscellaneous	-	118,542	578,888
Total Operating Revenues	525,563	3,452,386	3,117,710
Operating Expenses:			
Treatment	-	-	2,115,272
Cost of sales and services	80,784	2,062,904	-
Administration and general	-	906,383	386,460
Depreciation	-	795,870	166,445
Total Operating Expenses	80,784	3,765,157	2,668,177
Operating Income (Loss)	444,779	(312,771)	449,533
Nonoperating Revenues (Expenses):			
Interest revenue	616,513	66,038	51,264
Interest expense	-	(185,113)	(1,915)
Total Nonoperating Revenues (Expenses)	616,513	(119,075)	49,349
Income (Loss) Before Transfers	1,061,292	(431,846)	498,882
Transfers in	-	326,859	-
Transfers out	(326,859)	(228)	(109)
Changes in Net Assets	734,433	(105,215)	498,773
Net Assets:			
Beginning of Fiscal Year, as originally reported	13,488,872	4,836,340	4,125,155
Restatements	-	-	90,851
Beginning of Fiscal Year, as restated	13,488,872	4,836,340	4,216,006
End of Fiscal Year	\$ 14,223,305	\$ 4,731,125	\$ 4,714,779

See Notes to Financial Statements

Exhibit I

Loma Linda Connected Communities	Totals
\$ 86,288	\$ 6,484,517
1,627	699,057
87,915	7,183,574
104,248	2,219,520
-	2,143,688
141,938	1,434,781
98,515	1,060,830
344,701	6,858,819
(256,786)	324,755
-	733,815
-	(187,028)
-	546,787
(256,786)	871,542
70,000	396,859
-	(327,196)
(186,786)	941,205
15,181	22,465,548
-	90,851
15,181	22,556,399
\$ (171,605)	\$ 23,497,604

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**STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

	Business-Type Activities Enterprise Funds				
	Water Acquisition	Water Enterprise	Sewer Capital	Loma Linda Connected Communities	Totals
Cash Flows from Operating Activities:					
Cash received from customers and users	\$ 525,563	\$ 3,383,257	\$ 3,099,686	\$ 75,205	\$ 7,083,711
Cash paid to suppliers for good and services	(23,877)	(1,992,750)	(1,821,431)	(52,601)	(3,890,659)
Cash paid to employees for services	-	(907,087)	(383,641)	(130,126)	(1,420,854)
Net Cash Provided (Used) by Operating Activities	501,686	483,420	894,614	(107,522)	1,772,198
Cash Flows from Non-Capital Financing Activities:					
Cash transfer to other funds	(326,859)	(228)	(109)	-	(327,196)
Cash transfer from other funds	-	326,859	-	70,000	396,859
Due from other funds	(396,592)	-	-	-	(396,592)
Due to other funds	-	396,592	-	-	396,592
Advances	60,180	(405,000)	-	-	(344,820)
Contributions	-	-	-	2,123,000	2,123,000
Net Cash Provided (Used) by Non-Capital Financing Activities	(663,271)	318,223	(109)	2,193,000	1,847,843
Cash Flows from Capital and Related Financing Activities:					
Purchases of capital assets	-	(623,077)	(265,542)	(1,989,623)	(2,878,242)
Principal paid on capital debt	-	(284,233)	(12,111)	-	(296,344)
Interest paid on capital debt	-	(185,113)	(1,915)	-	(187,028)
Net Cash Provided (Used) by Capital and Related Financing Activities	-	(1,092,423)	(279,568)	(1,989,623)	(3,361,614)
Cash Flows from Investing Activities:					
Interest received	609,197	55,309	39,986	548	705,040
Net Cash Provided (Used) by Investing Activities	609,197	55,309	39,986	548	705,040
Net Increase (Decrease) in Cash and Cash equivalents	447,612	(235,471)	654,923	96,403	963,467
Cash and Cash Equivalents at Beginning of Year	2,297,565	2,642,422	1,730,994	120,614	6,791,595
Cash and Cash Equivalents at End of Year	\$ 2,745,177	\$ 2,406,951	\$ 2,385,917	\$ 217,017	\$ 7,755,062

**STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

	Business-Type Activities Enterprise Funds				Totals
	Water Acquisition	Water Enterprise	Sewer Capital	Loma Linda Connected Communities	
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:					
Operating income (loss)	\$ 444,779	\$ (312,771)	\$ 449,533	\$ (256,786)	\$ 324,755
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Depreciation	-	795,870	166,445	98,515	1,060,830
(Increase) decrease in accounts receivable	-	(69,129)	(18,024)	(12,710)	(99,863)
(Increase) decrease in inventories	-	(53,416)	431	-	(52,985)
(Increase) decrease in prepaid expense	-	(59,992)	(2,519)	-	(62,511)
Increase (decrease) in accounts payable	56,907	173,458	115,929	33,233	379,527
Increase (decrease) in accrued liabilities	-	(5,840)	(3,218)	2,135	(6,923)
Increase (decrease) in deposits payable	-	10,104	180,000	18,414	208,518
Increase (decrease) in compensated absences	-	5,136	6,037	9,677	20,850
Total Adjustments	56,907	796,191	445,081	149,264	1,447,443
Net Cash Provided (Used) by Operating Activities	\$ 501,686	\$ 483,420	\$ 894,614	\$ (107,522)	\$ 1,772,198

**STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS - AGENCY
JUNE 30, 2005**

Assets:

Cash and investments	\$ 87,012
Total Assets	<u>\$ 87,012</u>

Liabilities:**Liabilities:**

Accounts payable	\$ 115
Deposits	<u>86,897</u>
Total Liabilities	<u>\$ 87,012</u>

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Notes to Financial Statements



CITY OF LOMA LINDA

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2005

I. SIGNIFICANT ACCOUNTING POLICIES

Note 1: Summary of Significant Accounting Policies

a. Description of Entity

The City of Loma Linda, California, was incorporated on September 29, 1970 under the laws of the State of California and enjoys all the rights and privileges applicable to a general law city. The City became a chartered City in 1981. It is governed by an elected five-member board. As required by accounting principles generally accepted in the United States of America, these financial statements present the City of Loma Linda (the primary government) and its component units. The component units discussed below are included in the reporting entity because of their operational or financial relationships with the City of Loma Linda.

Blended Component Units

The following two component units, although legally separate entities, are in substance part of the City's operations and so data from these units are combined with the data of the City of Loma Linda, the primary government. All are governed by the City Council of the City of Loma Linda. Therefore, they are included in this financial presentation using the blending method.

The Loma Linda Redevelopment Agency (the Agency) was activated March 29, 1979 pursuant to the State of California Health and Safety Code, Section 33000 entitled "Community Development Law". The primary purpose of the Agency is to encourage private redevelopment of property and to rehabilitate areas suffering from economic disuse arising from poor and inadequate planning, inadequate street layout and street access, lack of open space, landscaping and other improvements and facilities necessary to establish and maintain the economic growth of the City.

The Loma Linda Public Financing Authority (the Authority) was established September 10, 2002 pursuant to Article 1 (commencing with Section 6500) of Chapter 5 of Division 7 of Title 1 of the California Government Code in order to jointly exercise powers of the Agency and the City and to establish a vehicle to reduce local borrowing costs and promote greater use of existing and new financial instruments.

Separate financial statements are not prepared for the Authority. The Agency issues separate component unit financial statements and these can be obtained from the City of Loma Linda Finance Department, 25541 Barton Road, Loma Linda, CA 92354.

b. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities that rely to a significant extent on fees and charges for support.

City of Loma Linda
Notes to Financial Statements (Continued)

Note 1: Summary of Significant Accounting Policies (Continued)

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

c. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period, with the exception of sales tax which is considered available if collected within 90 days. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The City reports the following major governmental funds:

The General Fund is the City's primary operating fund. It accounts for all financial resources of the general government except those required to be accounted for in another fund.

The Special Projects Construction Fund accounts for special or extraordinary projects, activities and allocations that might be recommended by staff and determined needed by the City Council.

The Loma Linda Redevelopment Agency Capital Projects Fund accounts for the financing, construction and administrative activities of the agency.

City of Loma Linda
Notes to Financial Statements (Continued)

Note 1: Summary of Significant Accounting Policies (Continued)

The Loma Linda Redevelopment Agency Debt Service Fund accounts for the accumulation of resources of payment of interest and principal on long-term debt of the Agency.

The City reports the following major proprietary funds:

The Water Acquisition Fund accounts for developer fees collected to pay for the expansion of the water system and for debt service on qualifying projects.

The Water Enterprise Fund is used to account for water production, distribution and meters.

The Sewer Capital Fund accounts for the operation and maintenance of the City's sewer, storm drain and catch basin systems.

The Loma Linda Connected Communities Program Fund provides Loma Linda residents and businesses with the opportunities for voice, data, video, multimedia, home automation systems, environmental control, security, audio, television, sensors, alarms and intercom services. The program establishes the standardized requirements for residential and commercial telecommunications cabling systems. The initial intent is to connect new development to the system, but the long-term goal is to eventually retrofit and extend these services to the entire community.

Additionally, the City reports the following fund types:

Agency Funds - These funds are used to report resources held by the City in a purely custodial capacity, which involves only the receipt, temporary investment and remittance of fiduciary resources to individuals, private organizations or other governments.

Private-sector standards of accounting and financial reporting issued prior to December 1989 generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the government's proprietary funds function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include: 1) charges to customers or applicants for goods, services or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

City of Loma Linda
Notes to Financial Statements (Continued)

Note 1: Summary of Significant Accounting Policies (Continued)

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Enterprise Funds are charges to customers for sales and services. Operating expenses for Enterprise Funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, and then unrestricted resources as they are needed.

d. Assets, Liabilities and Net Assets or Equity

Cash and Cash Equivalents

The City's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. For financial statement presentation purposes, cash and cash equivalents are shown as both restricted and unrestricted cash and investments in the Proprietary Funds.

Investments for the City as well as for its component units are reported at fair value. The City's policy is generally to hold investments until maturity, or until market values equal or exceed cost. The State Treasurer's Investment Pool operates in accordance with appropriate state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares.

Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds". Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

All trade and property tax receivables are shown net of an allowance for uncollectibles.

City of Loma Linda
Notes to Financial Statements (Continued)

Note 1: Summary of Significant Accounting Policies (Continued)

Property tax revenue is recognized on the modified accrual basis, that is, in the fiscal year for which the taxes have been levied providing they become available. Available means then due or past due, and receivable within the current period and collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. The County of San Bernardino collects property taxes for the City. Tax liens attach annually as of 12:01 A.M. on the first day in January preceding the fiscal year for which the taxes are levied. Taxes are levied on both real and personal property, as it exists on that date. The tax levy covers the fiscal period July 1 to June 30. All secured personal property taxes and one-half of the taxes on real property are due November 1; the second installment is due February 1. All taxes are delinquent if unpaid on December 10 and April 10, respectively. Unsecured personal property taxes become due on the first of March each year and are delinquent, if unpaid, on August 31.

Functional Classifications

Expenditures of the Governmental Funds are classified by function. Functional classifications are defined as follows:

General Government includes legislative activities, which have a primary objective of providing legal and policy guidelines for the City. Also included in this classification are those activities that provide management or support services across more than one functional area.

Public Safety includes those activities that involve the protection of people and property.

Community Development includes those activities that involve the enhancing of the general quality of life.

Public Works includes those activities that involve the maintenance and improvement of City streets, roads and park department development and maintenance.

Debt Service includes those activities that account for the payment of long-term debt principal, interest and fiscal charges.

Inventories, Prepaid Items and Land Held for Resale

All inventories are valued at cost using the first-in/first-out (FIFO) method. Inventories in the General Fund consist of expendable supplies held for consumption, whereas in the Enterprise Funds it represents water stock in the water utility. Inventory costs are recorded as an expenditure when used.

The General Fund inventory is accounted for on the consumption method and is equally offset by a reservation of fund balance in the fund-level statements, which indicates that it does not constitute "available spendable resources".

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. The fund balances in the governmental fund types have been reserved for amounts equal to the prepaid items in the fund-level statements since these amounts are not available for appropriation.

Land purchased for resale is capitalized as inventory at acquisition costs or net realizable value, if lower.

City of Loma Linda
Notes to Financial Statements (Continued)

Note 1: Summary of Significant Accounting Policies (Continued)

Restricted Assets

Certain proceeds of debt issues, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants. In addition, funds have been restricted for future capital improvements by City resolution.

Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, bridges, sidewalks and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$1,000 (amount not rounded) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

In accordance with GASB Statement No. 34, the City has reported general infrastructure assets acquired in the current year. As the City is still in the process of compiling the necessary data, and as permitted under GASB Statement No. 34, the City has not reported any infrastructure assets retroactively.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Property, plant and equipment of the primary government, as well as the component units, are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Building and improvements	15 - 50
Machinery and equipment	3 - 10
Infrastructure	30 - 50

Compensated Absences

Vacation pay is payable to employees at the time a vacation is taken or upon termination of employment. Normally an employee cannot accrue more than 26 to 46 days depending on length of employment.

Sick leave is payable when an employee is unable to work because of illness. Upon termination an employee will be paid one-third of unused sick leave up to 344 hours for miscellaneous employees and 516 hours for safety employees. Sick leave hours earned above the maximum are paid out on a one-for-one basis. All vacation and one-third of sick leave pay is accrued when incurred in the government-wide financial statements and proprietary funds. Compensated absences are primarily liquidated by the General Fund.

City of Loma Linda
Notes to Financial Statements (Continued)

Note 1: Summary of Significant Accounting Policies (Continued)

Long-Term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance cost are reported as unamortized debt issuance costs and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

e. Reconciliation of Government-Wide and Fund Financial Statements

Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets:

The governmental fund balance sheet includes reconciliation between fund balance - governmental funds and net assets of governmental activities as reported in the government-wide statement of net assets. One element of that reconciliation explains that "long-term debts and compensated absences have not been included in the governmental fund activity". The details of this \$21,611,158 long-term debt difference are as follows:

Long-term debt:	
Tax allocation bonds payable	\$ 12,230,000
Revenue bonds payable	8,880,000
Capitalized leases payable	287,177
Compensated absences	422,876
Unamortized bond premiums	387,267
Unamortized loss of defeasance	<u>(596,162)</u>
Net adjustment to reduce fund balance of total governmental funds to arrive at net assets of governmental activities	<u><u>\$ 21,611,158</u></u>

Explanation of certain differences between the governmental fund statement of revenues, expenditures and changes in fund balances and the government-wide statement of activities:

City of Loma Linda
Notes to Financial Statements (Continued)

Note 1: Summary of Significant Accounting Policies (Continued)

The governmental fund statement of revenues, expenditures and changes in fund balances includes a reconciliation between net changes in fund balances of total governmental funds and changes in net assets of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation explains that "Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense." The details of this \$331,673 difference are as follows:

Capital outlay	\$ 1,176,408
Depreciation expense	<u>(844,735)</u>
Net adjustment to increase net changes in fund balances of total governmental funds to arrive at changes in net assets of governmental activities	<u>\$ 331,673</u>

Another element of that reconciliation states that "the issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds". Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. The details of this \$1,089,015 difference are as follows:

Bond premiums and defeasance losses over issuance costs	\$ (72,084)
Principal repayments:	
Tax allocation bonds	380,000
Revenue bonds	675,000
Loans payable	
Capital leases payable	<u>106,099</u>
Net adjustment to decrease net changes in fund balances of total governmental funds to arrive at changes in net assets of governmental activities	<u>\$ 1,089,015</u>

II. STEWARDSHIP

Note 2: Stewardship, Compliance and Accountability

a. General Budget Policies

The City Council approves each year's budget submitted by the City Manager prior to the beginning of the new fiscal year. Public hearings are conducted prior to its adoption by the Council. Supplemental appropriations, where required during the period, are also approved by the Council. Intradepartmental budget changes are approved by the City Manager. In most cases, expenditures may not exceed appropriations at the department level. At fiscal year-end, all operating budget appropriations lapse.

City of Loma Linda
Notes to Financial Statements (Continued)

Note 2: Stewardship, Compliance and Accountability (Continued)

b. Encumbrances

Encumbrances are estimations of costs related to unperformed contracts for goods and services. These commitments are recorded for budgetary control purposes in the General, Special Revenue and similar governmental funds. Encumbrances outstanding at year-end are reported as a reservation of fund balance. They represent the estimated amount of the expenditure ultimately to result if unperformed contracts in process at year-end are completed. They do not constitute expenditures or estimated liabilities.

c. Budget Basis of Accounting

Budgets for governmental funds are adopted on a basis consistent with generally accepted accounting principles (GAAP).

d. The following funds contained deficit fund balances or net assets:

<u>Fund</u>	<u>Amount</u>
Special Revenue Fund:	
Grants	\$ (129)
COPS	(362)
Debt Service Fund:	
Redevelopment Agency	(7,168,107)
Enterprise Fund:	
Loma Linda Connected Communities	(171,605)

e. Excess of expenditures over appropriations in individual funds is as follows:

<u>Fund</u>	<u>Expenditures</u>	<u>Appropriations</u>	<u>Excess</u>
Non-Major Funds:			
Special Revenue Funds:			
Landscape Maintenance District	\$ 361,836	\$ 359,300	\$ 2,536
Debt Service:			
Loma Linda Public Financing Authority	999,788	998,100	1,688

III. DETAILED NOTES ON ALL FUNDS

Note 3: Cash and Investments

As of June 30, 2005, cash and investments were reported in the accompanying financial statements as follows:

Governmental activities	\$ 17,443,898
Business-type activities	7,755,062
Fiduciary funds	87,012
	<hr/>
Total Cash and Investments	<u>\$ 25,285,972</u>

The City of Loma Linda maintains a cash and investment pool that is available for use for all funds. Each fund type's position in the pool is reported on the combined balance sheet as cash and investments. The City has adopted an investment policy that authorizes it to invest in various investments.

City of Loma Linda
Notes to Financial Statements (Continued)

Note 3: Cash and Investments (Continued)

Deposits

At June 30, 2005, the carrying amount of the City's deposits was \$406,316 and the bank balance was \$581,223. The \$174,907 difference represents outstanding checks and other reconciling items.

The California Government Code requires California banks and savings and loan associations to secure a city's deposits by pledging government securities with a value of 110% of a city's deposits. California law also follows financial institutions to secure city deposits by pledging first trust deed mortgage notes having a value of 150% of a city's total deposits. The city treasurer may waive the collateral requirement for deposits that are fully insured up to \$100,000 by the FDIC. The collateral for deposits in federal and state chartered banks is held in safekeeping by an authorized Agent of Depository recognized by the State of California Department of Banking. The collateral for deposits with savings and loan associations is generally held in safekeeping by the Federal Home Loan Bank in San Francisco, California as an Agent of Depository. These securities are physically held in an undivided pool for all California public agency depositors. Under Government Code Section 53655, the placement of securities by a bank or savings and loan association with an "Agent of Depository" has the effect of perfecting the security interest in the name of the local governmental agency. Accordingly, all collateral held by California Agents of Depository are considered to be held for, and in the name of, the local governmental agency.

Investments

Under provision of the City's investment policy and in accordance with the California Government Code, the following investments are authorized:

- Securities of the U.S. Government, or its agencies
- Certificates of Deposit (or Time Deposits)
- Negotiable Certificates of Deposit
- Bankers Acceptances
- Commercial Paper
- Local Agency Investment Fund (State Pool)
- Repurchase Agreements
- Passbook Savings Account Demand Deposits
- Other investments that are approved through the State of California Government Code

Investments Authorized by Debt Agreements

The above investments do not address investment of debt proceeds held by a bond trustee. Investments of debt proceeds held by a bond trustee are governed by provisions of the debt agreements, rather than the general provisions of the California Government Code or the City's investment policy.

City of Loma Linda
Notes to Financial Statements (Continued)

Note 3: Cash and Investments (Continued)

Investments in State Investment Pool

The City is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. LAIF is overseen by the Local Agency Investment Advisory Board, which consists of five members, in accordance with State statute. The State Treasurer's Office audits the fund annually. The fair value of the position in the investment pool is the same as the value of the pool shares.

GASB Statement No. 31

The City adopted GASB Statement No. 31, Accounting and Financial Reporting for Certain Investments and for External Investment Pools, as of July 1, 1997. GASB Statement No. 31 establishes fair value standards for investments in participating interest earning investment contracts, external investment pools, equity securities, option contracts, stock warrants and stock rights that have readily determinable fair values. Accordingly, the City reports its investments at fair value in the balance sheet. All investment income, including changes in the fair value of investments, is recognized as revenue in the operating statement.

Credit Risk

Investments in U.S. government securities are not considered to have credit risk; therefore, their credit quality is not disclosed. As of June 30, 2005, the City's investments in external investment pools and money market mutual funds are unrated.

Custodial Credit Risk

The custodial credit risk for deposits is the risk that in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party.

As of June 30, 2005, none of the City's deposits or investments was exposed to custodial credit risk.

Interest Rate Risk

The City's investment policy does not limit investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The City has elected to use the segmented time distribution method of disclosure for its interest rate risk.

City of Loma Linda
Notes to Financial Statements (Continued)

Note 3: Cash and Investments (Continued)

As of June 30, 2005, the City had the following investments and remaining maturities:

	<u>Remaining Investment Maturities (in Years)</u>			<u>Fair Value</u>
	<u>6 months or less</u>	<u>6 months to 3 years</u>	<u>3-5 years</u>	
Money Market Mutual Funds - held by fiscal agent	\$ 36,637	\$ -	\$ -	\$ 36,637
California Local Agency Investment Fund	22,975,455	-	-	22,975,455
U.S. Treasury Notes - held by fiscal agent	852,696	-	1,014,868	1,867,564
	<u>\$ 23,864,788</u>	<u>\$ -</u>	<u>\$ 1,014,868</u>	<u>\$ 24,879,656</u>

Note 4: Capital Assets

Capital asset activity for the year ended June 30, 2005 was as follows:

	<u>Beginning Balance</u>	<u>Adjustments *</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities:						
Capital assets, not being depreciated:						
Land	\$ 5,019,188	\$ -	\$ 5,019,188	\$ -	\$ -	\$ 5,019,188
Construction-in-progress	881,981	45,970	927,951	262,758	(367,386)	823,323
 Total Capital Assets, Not Being Depreciated	 5,901,169	 45,970	 5,947,139	 262,758	 (367,386)	 5,842,511
 Capital assets, being depreciated:						
Structures and improvements	11,884,975	38,407	\$ 11,923,382	197,429	-	12,120,811
Machinery and equipment	5,639,275	-	5,639,275	145,552	(136,023)	5,648,804
Infrastructure	796,337	42,925	839,262	1,074,077	-	1,913,339
 Total Capital Assets, Being Depreciated	 18,320,587	 81,332	 18,401,919	 1,417,058	 (136,023)	 19,682,954
 Less accumulated depreciation:						
Structures and improvements	4,491,069	51,704	4,542,773	511,157	-	5,053,930
Machinery and equipment	4,033,691	93,935	4,127,626	413,141	(114,052)	4,426,715
Infrastructure	8,830	(1)	8,829	34,488	-	43,317
 Total Accumulated Depreciation	 8,533,590	 145,638	 8,679,228	 958,786	 (114,052)	 9,523,962
 Total Capital Assets, Being Depreciated, Net	 9,786,997	 (64,306)	 9,722,691	 458,272	 (21,971)	 10,158,992
 Governmental Activities Capital Assets, Net	 <u>\$ 15,688,166</u>	 <u>\$ (18,336)</u>	 <u>\$ 15,669,830</u>	 <u>\$ 721,030</u>	 <u>\$ (389,357)</u>	 <u>\$ 16,001,503</u>

City of Loma Linda
Notes to Financial Statements (Continued)

Note 4: Capital Assets (Continued)

	Beginning Balance	Adjustments *	Beginning Balance	Increases	Decreases	Ending Balance
Business-Type Activities:						
Capital assets, not being depreciated:						
Land	\$ 1,363,821	\$ -	\$ 1,363,821	\$ 25,875	\$ -	\$ 1,389,696
Construction-in-progress	575,776	(411,432)	164,344	1,055,729	(151,376)	1,068,697
 Total Capital Assets, Not Being Depreciated	 1,939,597	 (411,432)	 1,528,165	 1,081,604	 (151,376)	 2,458,393
 Capital assets, being depreciated:						
Structures and improvements	24,974,320	138,341	25,112,661	-	-	25,112,661
Machinery and equipment	2,219,700	(20,220)	2,199,480	753,961	(49,954)	2,903,487
Infrastructure	1,179,052	284,657	1,463,709	1,216,258	-	2,679,967
 Total Capital Assets, Being Depreciated	 28,373,072	 402,778	 28,775,850	 1,970,219	 (49,954)	 30,696,115
 Less accumulated depreciation:						
Structures and improvements	11,377,483	-	11,377,483	719,154	-	12,096,637
Machinery and equipment	1,228,142	-	1,228,142	289,358	(36,404)	1,481,096
Infrastructure	46,903	-	46,903	52,318	-	99,221
 Total Accumulated Depreciation	 12,652,528	 -	 12,652,528	 1,060,830	 (36,404)	 13,676,954
 Total Capital Assets, Being Depreciated, Net	 \$ 15,720,544	 \$ 402,778	 \$ 16,123,322	 \$ 909,389	 \$ (13,550)	 \$ 17,019,161
 Business-Type Activities Capital Assets, Net	 \$ 17,660,141	 \$ (8,654)	 \$ 17,651,487	 \$ 1,990,993	 \$ (164,926)	 \$ 19,477,554

(*) Adjustments relate to items incorrectly classified and reported in prior years

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental Activities:	
General government	\$ 350,693
Public safety	130,610
Public works	325,873
Community development	151,610
Total Depreciation Expense - Governmental Activities	<u>\$ 958,786</u>
 Business-Type Activities:	
Water	\$ 795,870
Loma Linda Connected Comm.	98,515
Sewer	166,445
Total Depreciation Expense - Business-Type Activities	<u>\$ 1,060,830</u>

City of Loma Linda
Notes to Financial Statements (Continued)

Note 5: Interfund Receivable, Payable and Transfers

The composition of interfund balances as of June 30, 2005 is as follows:

Due To/From Other Funds

Funds	Due From Other Funds				Total
	Special Project Construction	Water Acquisition	Redevelopment Agency Capital Projects	Redevelopment Agency Debt Service	
Due To Other Funds:					
Water Enterprise	\$ -	\$ 4,878,341	\$ -	\$ -	\$ 4,878,341
RDA - Capital Projects	-	-	421,081	302,525	723,606
RDA - Debt Service	-	-	41,755	-	41,755
Nonmajor Governmental Funds	78,415	-	-	-	78,415
Total	<u>\$ 78,415</u>	<u>\$ 4,878,341</u>	<u>\$ 462,836</u>	<u>\$ 302,525</u>	<u>\$ 5,722,117</u>

The due to Special Project Construction Fund of \$78,415 from various nonmajor funds was a result of temporary deficit cash balances in those funds.

The due to Water Acquisition Fund of \$4,878,341 was to move fixed assets from the Water Enterprise Fund.

The due to and due from within the Redevelopment Agency was made to cover negative cash, project costs and administrative costs.

Advances To/From Other Funds

Funds	Advances to Other Funds					Total
	Special Project Construction	Water Acquisition	Water Enterprise	Redevelopment Agency Capital Projects	Nonmajor Governmental Funds	
Advances From Other Funds:						
General Fund	\$ -	\$ -	\$ 277,500	\$ -	\$ -	\$ 277,500
RDA - Capital Projects	5,014,589	4,848,500	-	-	195,390	10,058,479
RDA - Debt Service	6,654,411	1,677,821	-	-	-	8,332,232
Nonmajor Enterprise Funds	1,593,000	-	530,000	185,000	-	2,308,000
Total	<u>\$ 13,262,000</u>	<u>\$ 6,526,321</u>	<u>\$ 807,500</u>	<u>\$ 185,000</u>	<u>\$ 195,390</u>	<u>\$ 20,976,211</u>

The majority of advances present in the Special Projects, Water Acquisition and Nonmajor Governmental Funds represent loans made to the Redevelopment Agency to fund projects and include interest thereon. These are offset by advances payable in the Redevelopment Agency Capital Projects and Debt Service Funds.

City of Loma Linda
Notes to Financial Statements (Continued)

Note 5: Interfund Receivable, Payable and Transfers (Continued)

Interfund Transfers

Funds	Transfers In						Total
	General Fund	Redevelopment Agency Capital Projects	Redevelopment Agency Debt Services	Water Enterprises	Loma Linda Connected Communities	Nonmajor Governmental Funds	
Transfers Out:							
General Fund	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 978,219	\$ 978,219
Special Project Construction	462,960	-	-	-	70,000	-	532,960
RDA - Capital Projects	-	1,018,622	1,418	-	-	232	1,020,272
RDA - Debt Service	-	464,000	-	-	-	-	464,000
Water Acquisition	-	-	-	326,859	-	-	326,859
Water Enterprise	-	-	-	-	-	228	228
Sewer Capital	-	-	-	-	-	109	109
Nonmajor Governmental Funds	620,129	-	-	-	-	-	620,129
Total	<u>\$ 1,083,089</u>	<u>\$ 1,482,622</u>	<u>\$ 1,418</u>	<u>\$ 326,859</u>	<u>\$ 70,000</u>	<u>\$ 978,788</u>	<u>\$ 3,942,776</u>

During the year certain funds made payments to the General Fund for funding parking expenses and to reimburse grant expenditures incurred. These transfers to the General Fund for the year were \$620,129. Transfers from the Special Project Construction Fund to the General Fund were used to make the lease building payment.

Transfers to the Water Enterprise Fund were for fees collected with regard to the 8MG Reservoir.

Transfers within the Redevelopment Agency Funds are used to move funds for debt service, fund capital projects and transfer long-term debt proceeds to appropriate funds.

Transfers into the various nonmajor funds for \$1,173 were to assist the EPA Project, transfers for \$967,315 were to assist the Public Financing Authority with debt service payments and transfers of \$10,300 were to assist the Land Maintenance District to cover its annual expenditures.

Note 6: Fund Balances/Net Assets

a. Reservation of Fund Balance

Special Purpose Reserves

The City has established certain fund balance reserve accounts to report the amounts in the following funds, which represent available spendable resources restricted for a specified purpose:

	Encumbrances	Inventories	Equipment Replacement & Prepaids	Advances & Long-Term Receivables	Sewer Capacity Rights	Land Held for Resale
General Fund	\$ 63,814	\$ 11,997	\$ 359,558	\$ -	\$ -	\$ -
Special Revenue Funds:						
Landscape Maintenance District	8,500	-	1,959	-	-	-
Street Lighting District	-	-	2,939	-	-	-
Grant	69,733	-	-	-	-	-
Citizens Option for Public Safety	20,000	-	-	-	-	-
Total Special Revenue Funds	<u>98,233</u>	<u>-</u>	<u>4,898</u>	<u>-</u>	<u>-</u>	<u>-</u>

City of Loma Linda
Notes to Financial Statements (Continued)

Note 6: Fund Balances/Net Assets (Continued)

	Encum- brances	Inventories	Equipment Replacement & Prepaids	Advances & Long-Term Receivables	Sewer Capacity Rights	Land Held for Resale
Capital Projects Funds:						
Special Projects Construction	-	-	-	13,262,000	-	-
Traffic Impact	2,000	-	-	-	-	-
Federal/State Construction	6,451	-	-	-	-	-
Park	-	-	-	195,390	-	-
Redevelopment Agency	36,301	-	54,394	1,182,034	79,862	12,082,948
Total Capital Projects Funds	44,752	-	54,394	14,639,424	79,862	12,082,948
Total	<u>\$ 206,799</u>	<u>\$ 11,997</u>	<u>\$ 418,850</u>	<u>\$ 14,639,424</u>	<u>\$ 79,862</u>	<u>\$ 12,082,948</u>

b. Reservations of Net Assets

The City has established the following reservations of net assets:

Enterprise Funds:

<u>Reserve Description</u>	<u>Water Acquisition</u>
Restricted for water acquisition	<u>\$ 14,223,305</u>

Note 7: Long-Term Debt

a. Long-Term Debt

The following is a summary of changes in long-term debt of the City for the year ended June 30, 2005:

	Balance July 1, 2004	Additions	Deletions	Balance June 30, 2005	Due Within One Year
Tax Allocation Bonds Payable	\$ 12,610,000	\$ -	\$ 380,000	\$ 12,230,000	\$ 460,000
Revenue Bonds	9,555,000	-	675,000	8,880,000	695,000
Compensated Absences	393,124	336,470	306,718	422,876	155,144
Capitalized Leases	393,276	-	106,099	287,177	111,003
Total	<u>\$ 22,951,400</u>	<u>\$ 336,470</u>	<u>\$ 1,467,817</u>	21,820,053	<u>\$ 1,421,147</u>
			Unamortized loss on defeasance	(596,162)	
			Unamortized bond premium	387,267	
				<u>\$ 21,611,158</u>	

City of Loma Linda
Notes to Financial Statements (Continued)

Note 7: Long-Term Debt (Continued)

There are a number of limitations and restrictions contained in the various bond indentures. The City is in compliance with all significant limitations and restrictions.

Lease Revenue Bond

On October 1, 2002, the City of Loma Linda approved the issuance by the Loma Linda Public Financing Authority of \$10,840,000 principal amount of 2002 Lease Revenue Refunding Bonds. The bonds were issued to refund all of the outstanding 1994 Certificates of Participation in the amount of \$10,255,000. The bonds mature from January 1, 2003 to January 1, 2016 in varying amounts. The bonds have varying interest rates ranging from 3.00 to 4.10% and interest is payable semi-annually on January 1 and July 1 of each year, commencing January 1, 2003. The principal balance of the bonds at June 30, 2005 was \$8,880,000.

Tax Allocation Bonds

During 2002-2003, \$12,610,000 of Redevelopment Project Areas 1 and 2, 2003 Tax Allocation Refunding Bonds were issued. Proceeds of the 2003 Bonds were applied to: (a) refund all of the Loma Linda Redevelopment Agency, Loma Linda Redevelopment Project Area 2, 1993 Tax Allocations Bonds in the amount of \$1,895,000, (b) refund all of the Loma Linda Redevelopment Agency, Loma Linda Redevelopment Project Area 1, 1994 Tax Allocation Refunding Bonds outstanding in the amount of \$3,020,000, (c) further finance undertakings of the Agency for the Redevelopment Project and purposes related thereto, and (d) pay costs of issuance of the 2003 Bonds. The bonds are dated April 28, 2003 and are secured by a first and prior lien on tax increment revenues excluding any portion of the above-mentioned revenues that are required to be deposited to the Agency's Low and Moderate Income Housing Fund. The bonds have varying interest rates ranging from 2.00% to 5.25%, and interest is payable semi-annually each January 1 and July 1, beginning January 1, 2004. Principal payments begin July 1, 2004 and continue on July 1 of each year through July 1, 2030. The balance of the 2003 Bonds at June 30, 2005 amounted to \$12,230,000.

Capital Lease Obligations

In January 1987, the City entered into a capital lease agreement with the Loma Linda Redevelopment Agency. This obligation stems from the issuance by the Agency of Certificates of Participation, the proceeds of which were used to construct City Hall and related public facilities. Pursuant to the lease agreement, the Agency agreed to lease the City Hall and related public facilities to the City and the City agreed to make lease payments to the Agency. The base rental payments were due November 25 and May 25 each year. On January 1, 1994, the agency issued Refunding Certificates of Participation to defease the Certificates of Participation mentioned in the preceding paragraph, to fund a reserve fund and to pay costs of issuing the certificates. The City's lease agreement with the Agency was amended to correspond with the Agency's revised debt. The balance of the Certificates of Participation was completely refunded by the issuance of the 2002 Lease Revenue Refunding bonds on October 1, 2002.

On July 23, 2002, the City entered into a master lease agreement with CaLease Public Funding to lease various equipment in the amount of \$543,700. The related assets have been capitalized in the government-wide financial statements at the initial present value of the lease payments. Amortization of the leased assets are included as part of depreciation expense. Payments are due February and August of each year commencing February 14, 2003. Payments include interest at 4.57%. The principal balance of the lease at June 30, 2005, was \$287,178.

City of Loma Linda
Notes to Financial Statements (Continued)

Note 7: Long-Term Debt (Continued)

The following is a schedule of future lease payments as of June 30, 2005:

Fiscal Year	Capital Lease Obligation		2002 Lease Revenue Bond		2003 Tax Allocation Refunding Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
2005-2006	\$ 111,002	\$ 11,871	\$ 695,000	\$ 300,513	\$ 460,000	\$ 509,875
2006-2007	116,133	6,740	710,000	286,613	475,000	499,356
2007-2008	60,043	1,372	725,000	269,573	480,000	488,013
2008-2009	-	-	745,000	249,998	490,000	474,663
2009-2010	-	-	770,000	228,393	500,000	459,813
2010-2015	-	-	4,280,000	708,405	2,785,000	2,027,294
2015-2020	-	-	955,000	39,155	2,060,000	1,502,975
2020-2025	-	-	-	-	2,305,000	987,684
2025-2030	-	-	-	-	2,170,000	418,969
2030-2033	-	-	-	-	505,000	12,941
Totals	<u>\$ 287,178</u>	<u>\$ 19,983</u>	<u>\$ 8,880,000</u>	<u>\$ 2,082,650</u>	<u>\$ 12,230,000</u>	<u>\$ 7,381,583</u>

b. Non-Commitment Debt

The following bond issues are not reflected as City long-term debt because these debts are solely payable from and secured by specific revenue sources described in the official statements of the respective issues. Neither the faith and credit nor the taxing power of the City, the State of California or any political subdivision thereof, is pledged for the payment of these debts.

<u>Loma Linda University Medical Center Project</u>	<u>Balance at June 30, 2005</u>
Series 1992A	10,640,000
Series 1993A	52,300,000
Series 1993B	16,975,000
Series 1993C	65,370,000
Series 1999A	<u>78,440,000</u>
Total	<u>\$ 223,725,000</u>
<u>Multifamily Housing Refunding Revenue Bonds (Loma Linda Springs Apartment)</u>	
Series 2001	<u>\$ 19,430,000</u>

City of Loma Linda
Notes to Financial Statements (Continued)

Note 8: Bonds Payable - Proprietary Funds

The following is a summary of changes in Proprietary Fund long-term debt for the year ended June 30, 2005:

	Balance July 1, 2004	Additions	Deletions	Balance June 30, 2005	Due Within One Year
1978 Water Bonds	\$ 30,000	\$ -	\$ 10,000	\$ 20,000	\$ 20,000
1995 Water Revenue Refunding Bonds	8,775,000	-	220,000	8,555,000	235,000
Compensated Absences	91,015	125,870	105,019	111,866	49,576
Capital Lease Obligation	258,312	-	69,677	188,635	72,898
Total	<u>\$ 9,154,327</u>	<u>\$ 125,870</u>	<u>\$ 404,696</u>	<u>\$ 8,875,501</u>	<u>\$ 377,474</u>

- a. In February 1978, the City issued \$1,000,000 of 1978 Water Bonds (General Obligation). The bonds were dated February 14, 1978 with principal maturing from April 1, 1979 to April 1, 2003 in varying amounts. The bonds have varying interest rates ranging from 4.80% to 6.75% and interest is payable semi-annually each April 1 and October 1. The bonds were issued to finance water system improvements. The revenues of the Water Fund are being used to pay the annual debt service requirements of these bonds. The bonds matured in fiscal year 2003; however, at June 30, 2005, not all bonds have been presented for payment.
- b. In December 1985 the City issued \$3,760,000 of Water Revenue Bonds. The bonds were dated December 1, 1985 with principal maturing from December 1, 1987 to December 1, 2010 in varying amounts. The bonds had varying interest rates ranging from 6.75% to 9.25% and interest was payable semi-annually each June 1 and December 1. The bonds were issued to finance the construction of a new reservoir, well and line. In September 1993, the City issued \$4,030,000 Water Revenue Refunding Bonds. The bonds were dated September 1, 1993 with principal maturing from January 1, 1995 to January 1, 2011 in varying amounts. The bonds have varying interest rates ranging from 3.40% to 5.40%, and interest is payable semi-annually each July 1 and January 1. The bonds were issued to provide monies for the refunding of the City's outstanding Water Revenue Bonds of 1985. In June 1995 the City issued \$10,000,000 of Water Revenue Refunding Bonds. The bonds were dated June 20, 1995 with principal maturing from June 1, 1998 to June 1, 2025 in varying amounts. The bonds have a variable rate of interest not to exceed 12.00% until the optional fixed rate conversion date at which time the rate will be fixed. Interest is payable monthly until the fixed rate conversion date at which time the interest is payable semi-annually each June 1 and December 1. The bonds were issued to provide monies for the refunding of the City's outstanding Water Revenue Bonds of 1993 and to provide funds to finance an expansion of the water storage capacity. The principal amount of bonds outstanding at June 30, 2005 was \$8,555,000.

City of Loma Linda
Notes to Financial Statements (Continued)

Note 8: Bonds Payable - Proprietary Funds (Continued)

<u>Fiscal Year</u>	1995 Water Revenue Refunding Bond	
	<u>Principal</u>	<u>Interest</u>
2005-2006	\$ 235,000	\$ 342,200
2006-2007	245,000	332,800
2007-2008	260,000	323,000
2008-2009	275,000	312,600
2009-2010	295,000	301,600
2010-2015	1,755,000	1,317,000
2015-2020	2,345,000	921,400
2020-2025	3,145,000	392,000
Totals	<u>\$ 8,555,000</u>	<u>\$ 4,242,600</u>

- c. On July 23, 2002 the City entered into a master lease agreement with CaLease Public Funding to lease various equipment in the amount of \$357,100. Payments are due February and August of each year commencing February 14, 2003. Payments include interest at 4.57%. The principal balance of the lease at June 30, 2005 was \$188,635.
- d. The following is a computation of coverage as required by the official statement of the 1995 Water Revenue Bonds. This statement states net revenues of the Enterprise shall be 1.25 times the maximum annual debt service on all outstanding bonds. In this statement "Net Revenues of the Enterprise" are defined as follows: "Gross revenues less maintenance and operation costs."

Debt Service Coverage:		
Operating revenue		\$ 3,452,386
Interest income		<u>66,038</u>
Gross Revenues		3,518,424
Operating Expenses	\$ 3,765,157	
Less Depreciation	<u>(795,870)</u>	<u>2,969,287</u>
Excess Revenues		<u>\$ 549,137</u>
Debt Service (Maximum Annual):		
1995 Water Refunding Bonds (Estimated)	\$ 719,800	
1978 Water Bonds	<u>37,481</u>	<u>\$ 757,281</u>
Coverage Ratio		<u>72.51%</u>

City of Loma Linda
Notes to Financial Statements (Continued)

Note 9: Pension Plan Obligations

Plan Description

The City of Loma Linda contributes to the California Public Employees Retirement System (PERS), an agent multiple-employer public employee defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. PERS acts as a common investment and administrative agent for participating public entities within the State of California. Benefit provisions and all other requirements are established by state statute and City ordinance. Copies of PERS' annual financial report may be obtained from their executive office: 400 P Street, Sacramento, CA 95814.

Funding Policy

Participants are required to contribute 7% (9% for safety employees) of their annual covered salary. The City makes the contributions required of City employees on their behalf and for their account. The City is required to contribute at an actuarially determined rate; the current rate is 2.757% for miscellaneous employees and 10.957% for safety employees of annual covered payroll. The contribution requirements of plan members and the City are established and may be amended by PERS.

Annual Pension Cost

For 2005, the City's annual pension cost of \$512,531 for PERS was equal to the City's required and actual contributions. The required contribution was determined as part of the June 30, 2003 actuarial valuation using the entry age normal actuarial cost method.

The summary of principal assumptions and methods used to determine the annual required contribution is shown below:

Valuation Date	June 30, 2003
Actuarial Cost Method	Entry Age Actuarial Cost Method
Amortization Method	Level Percent of Payroll
Average Remaining Period	17 Years for the miscellaneous employees and 16 Years for the safety employees, both as of the Valuation Date
Asset Valuation Method	3 Years Smoothed Market
Actuarial Assumptions:	
Investment Rate of Return	7.75% (net of administrative expenses)
Projected Salary Increases	3.25% to 14.45% for miscellaneous employees and 3.25% to 13.15% for safety employees, both depending on age, service and type of employment.
Inflation	3.00%
Payroll Growth	3.25%
Individual Salary Growth	A merit scale varying by duration of employment coupled with an assumed annual inflation component of 3.00% and an annual production growth of 0.25%.

City of Loma Linda
Notes to Financial Statements (Continued)

Note 9: Pension Plan Obligations (Continued)

Initial unfunded liabilities are amortized over a closed period that depends on the plan's date of entry into CalPERS Risk Pool. Subsequent plan amendments are amortized as a level percent of pay over a closed 20-year period. Gains and losses that occur in the operation of the plan are amortized over a rolling period, which results in an amortization of 10% of unamortized gains and losses each year. If the plan's accrued liability exceeds the actuarial value of plan assets, the amortization payment on the total unfunded liability may not be lower than the payment calculated over a 30-year amortization period.

Three-Year Trend Information for PERS
(Amounts in Thousands)

<u>Fiscal Year</u>	<u>Annual Pension Costs (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/2003	\$ -	100%	\$ -
6/30/2004	-	100%	-
6/30/2005	513	100%	-

Schedule of Funding Progress for PERS
(Amounts in Thousands) *

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Liability (AAL) Entry Age</u>	<u>Unfunded AAL (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a % of Covered Payroll</u>
6/30/01:						
Miscellaneous	\$ 10,600	\$ 7,783	\$ (2,817)	136 %	\$ 2,104	(134) %
Safety	6,884	5,707	(1,177)	121 %	874	(135) %
Total	<u>\$ 17,484</u>	<u>\$ 13,490</u>	<u>\$ (3,994)</u>	<u>109 %</u>	<u>\$ 2,978</u>	<u>(46) %</u>
6/30/02:						
Miscellaneous	\$ 10,033	\$ 8,844	\$ (1,189)	113 %	\$ 2,151	(55) %
Safety	6,672	6,420	(252)	104 %	948	(27) %
Total	<u>\$ 16,705</u>	<u>\$ 15,264</u>	<u>\$ (1,441)</u>	<u>109 %</u>	<u>\$ 3,099</u>	<u>(46) %</u>
6/30/03:						
Miscellaneous	\$ 2,373	\$ 2,597	\$ 224	91 %	\$ 725	(31) %
Safety	1,084	1,218	134	89 %	184	(73) %
Total	<u>\$ 3,457</u>	<u>\$ 3,815</u>	<u>\$ 358</u>	<u>90 %</u>	<u>\$ 909</u>	<u>(52) %</u>

*Based on latest information available.

City of Loma Linda
Notes to Financial Statements (Continued)

Note 10: Post-Retirement Health Insurance

In addition to the pension benefits described in Note 9, the City provides certain health insurance benefits, in accordance with memorandums of understanding to retired employees. Employees become eligible for the benefits if they reach normal retirement age while working for the City and having 5 years of service under the PERS system, including employment with another employer. For fiscal year 2004-2005, the City contributed \$40 plus an administrative fee per month for each employee. For employees retired with more than 10 years of City service, the City contributed \$75 per month toward the cost of health insurance provided under the CalPERS insurance program. The City recognized the cost of providing those benefits by expensing \$6,560, which was the portion of the premium paid by the City for the fiscal year. The cost of providing those benefits is for 10 retirees.

Note 11: Liability, Property and Workers' Compensation Protection

a. Description of Self-Insurance Pool Pursuant to Joint Powers Agreement

The City is a member of the California Joint Powers Insurance Authority (the Authority). The Authority is composed of 107 California public entities and is organized under a joint powers agreement pursuant to California government Code §6500 et seq. The purpose of the Authority is to arrange and administer programs for the pooling of self-insured losses, to purchase excess insurance or reinsurance, and to arrange for group-purchased insurance for property and other coverages. The Authority's pool began covering claims of its members in 1978. Each member government has an elected official as its representative on the Board of Directors. The Board operates through a nine-member Executive Committee.

b. Self-Insurance Programs of the Authority

General Liability - Each member government pays a primary deposit to cover estimated losses for a fiscal year (claims year). Six months after the close of a fiscal year outstanding claims are valued. A retrospective deposit computation is then made for each open claims year. Costs are spread to members as follows: the first \$30,000 of each occurrence is charged directly to the member; costs from \$30,001 to \$750,000 are pooled based on a member's share of costs under \$30,000; costs from \$750,001 to \$15,000,000 are pooled based on payroll. Costs of covered claims above \$15,000,000 are currently paid by reinsurance. The protection for each member is \$50,000,000 per occurrence and \$50,000,000 annual aggregate.

Workers' Compensation - The City also participates in the workers' compensation pool administered by the Authority. Members retain the first \$50,000 of each claim. Claims are pooled separately between public safety and non-public safety. Loss development reserves are allocated by pool and by loss layer (\$0-\$100,000 allocated by retained amount and \$100,000 to \$2,000,000 by payroll). Losses from \$50,000 to \$100,000 per and the loss development reserve associated with losses up to \$100,000 are pooled based on the member's share of losses under \$50,000. Losses from \$100,000 to \$2,000,000 and loss development reserves associated with losses from \$100,000 to \$2,000,000 are pooled based on payroll. Costs from \$2,000,000 and \$50,000,000 are transferred to an excess insurance policy. Costs in excess of \$50,000,000 are pooled among the Members based on payroll. Administrative expenses are paid from the Authority's investment earnings.

City of Loma Linda
Notes to Financial Statements (Continued)

Note 11: Liability, Property and Workers' Compensation Protection (Continued)

c. Purchased Insurance

Property Insurance - The City participates in the all-risk property protection program of the Authority. This insurance protection is underwritten by several insurance companies. The City property is currently insured according to a schedule of covered property submitted by the city to the Authority. Total all-risk property insurance coverage is \$28,507,635. There is a \$5,000 per loss deductible. Premiums for the coverage are paid annually and are not subject to retroactive adjustments.

Environmental Insurance - The City participates in the pollution legal liability and remediation legal liability insurance that is available through the Authority. The policy covers sudden and gradual pollution of scheduled property, streets and storm drains owned by the City. Coverage is on a claims-made basis. There is a \$50,000 deductible. The Authority has a limit of \$120,000,000 for the three-year period from July 1, 2002 through June 30, 2005. Each member of the Authority has a \$10,000,000 limit during the three-year term of the policy.

Fidelity Bonds - The City purchases blanket fidelity bond coverage in the amount of \$1,000,000 with \$2,500 deductible. The fidelity coverage is provided through the Authority. Premiums are paid annually and are not subject to retroactive adjustments.

d. Adequacy of Protection

During the past three fiscal years, none of the above programs of protection have had settlements or judgments that exceeded pooled or insured coverage. There have been no significant reductions in pooled or insured liability coverage from coverage in the prior year. Consequently, the City does not recognize any claims and judgment liability.

Note 12: Water Deferred Income

The accompanying financial statements do not reflect any deferred income, which may be applicable under an agreement of sale and purchase dated November 2, 1964, between Loma Linda University and former County Services Area No. 2, which has been incorporated into the City of Loma Linda. Under the agreement, the University Water Distribution System may serve water to land owned by the University, Southeastern California Association of Seventh-Day Adventists, Pacific Union Conference Association, General Conference Association of Seventh-Day Adventists, Loma Linda University Medical Center, Adventist Health Systems, Loma Linda or any other subsidiaries thereof, Loma Linda University Medical Group, Inc. or any subsidiaries thereof, and Adventist Medical Center. If any of these entities connect to the City water system, they will pay all fees applicable at the time of connection less 7.3% of such fees, charges and costs. However, if any land connected to the City system which, at the time of such connection, was entitled to the 7.3% deduction changes to a use not covered by any of the exempt entities or uses, it shall pay that amount which was deducted prior to receiving water services from the City.

Note 13: Contingencies

Grant

Under the terms of federal and state grants, periodic audits are required and certain costs may be questioned as not being appropriate expenditures under the terms of the grants. Such audits could lead to reimbursement to the grantor agencies. City management believes disallowances, if any, will be immaterial.

City of Loma Linda
Notes to Financial Statements (Continued)

Note 13: Contingencies (Continued)

Litigation

At June 30, 2005, the City was involved as a defendant in several lawsuits arising out of the ordinary conduct of its affairs. It is the opinion of City management that settlements of these lawsuits, including losses for claims that are incurred but not reported, if any, will not have a material effect on the financial position of the City.

Note 14: Joint Ventures

a. San Bernardino International Airport Authority

The City is a member of the San Bernardino International Airport Authority (SBIAA), a joint powers authority of the County of San Bernardino and the Cities of Colton, Highland, Loma Linda and San Bernardino. The Authority was formed May 12, 1992 for the purpose of acquiring, operating, maintaining, repairing and administering the aviation related portions of Norton Air Force Base as a public airport.

The governing board consists of two elected officials from the City of San Bernardino and one elected official from each of the County of San Bernardino and the Cities of Colton, Highland and Loma Linda. Each member has one vote.

In prior years the City had made loans to SBIAA in the amount of \$659,157, which were recorded as due from other governments in the Special Projects Construction Fund and were offset by a reservation of fund balance. These loans were charged interest at a rate of 2% above the Local Agency Investment Fund of the State of California's earning rate.

The Authority expected to procure permanent financing by February 1998 and at that time it was anticipated that SBIAA would repay the City's loans, however, that did not occur. During the current fiscal year the loan was paid off.

A copy of the financial statements of the San Bernardino International Airport Authority can be obtained by contacting the authority directly at 294 South Leland Norton Way, Suite 1, San Bernardino, California 92408, (909) 388-1144.

b. Inland Valley Development Agency

The City is a member of the Inland Valley Development Agency (IVDA), a joint powers authority of four cities and the County of San Bernardino. The member agencies have the following number of board members:

City of San Bernardino	3
County of San Bernardino	2
City of Colton	2
City of Loma Linda	2

Each board member has one vote.

The IVDA was formed for the purpose of acquiring, owning, maintaining, leasing and operating the Norton Air Force Base property, and for the purpose of reusing and redeveloping the Norton Air Force Base, the adjacent property and the other properties in proximity thereto. As of June 30, 2005, the City does not hold an investment in the authority.

A copy of the financial statements of the IVDA can be obtained by contacting the IVDA directly at 298 South Leland Norton Way, San Bernardino, California 92408, attention Linda Sommers, (909) 382-4100.

City of Loma Linda
Notes to Financial Statements (Continued)

Note 15: Fund Equity and Net Assets Restatements

Beginning fund equity has been restated as follows:

Major Governmental Funds:

General Fund:

Revenue overstated in prior year	\$ (10,000)
Expenditure overstated in prior year	317,729
Prior years revenue transferred to correct fund	2,986

Nonmajor Governmental Funds:

Traffic Congestion Relief Grant - Special Revenue:

Prior years revenue transferred to correct fund	<u>(2,986)</u>
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Total Governmental Funds	<u>307,729</u>
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Business-type activities:

Major proprietary funds:

Sewer Capital Fund:

Expenditure understated in prior year	\$ (4,557)
Expenditure overstated in prior year	<u>95,408</u>

Total Proprietary Funds	<u>90,851</u>
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Total Fund Balance Restatement	398,580
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Governmental Activities:

Restatement of capital assets	\$ (18,336)
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Total Net Asset Restatement	<u><u>\$ 380,244</u></u>
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Supplementary Schedules



SPECIAL REVENUE FUNDS

The Special Revenue Funds account for the proceeds of specific revenue sources that are legally restricted for expenditures related to specific purposes.

Funds included are:

- Traffic Safety Fund - To account for monies received from parking control violation fines.
- Gas Tax Fund - To account for monies received and expended from the state and county gas tax allocation.
- Measure I - To account for monies received from a County one-half of one percent retail transaction and use tax.
- Street Lighting District Fund - To account for monies received from property assessments restricted to fund district street lighting activities.
- Landscape Maintenance District Fund - To account for monies received from property assessments restricted to fund district landscaping activities.
- Air Quality Management District Fund - To account for monies received from AB2766 license fees.
- Community Development Block Grant Fund - To account for Federal grants received from the Department of Housing and Urban Development and expended in community development.
- Environmental Protection Agency Fund - To account for monies received for habitat enhancement along the San Timoteo Creek Channel through the City of Loma Linda, Redlands and San Bernardino County unincorporated area.
- Grant Fund - To account for miscellaneous grants provided by Federal, State and County agencies such as the Code Enforcement Grant Program to purchase capital items related to Code Enforcement and California Healthy Cities to promote health and physical activity for Loma Linda residents.
- Citizens Option for Public Safety - To account for AB3229 Public Safety Grant revenue received from the State and expended for front-line law enforcement.
- Traffic Congestion Relief - Allocation from the state for street or road maintenance or reconstruction. The City is required to maintain existing commitment of general funds for street or roadwork in order to remain eligible for allocation of the specified funds.
- Development Agreement Consideration Fund – To account for the monies received from developers to produce, improve or preserve affordable housing within Redevelopment Project Areas that meet the needs of those whose income is 80% of the county median or below.

CAPITAL PROJECTS FUNDS

The Capital Projects Funds account for financial resources to be used for the acquisition or construction of major capital facilities by the City except for those financed by Proprietary Funds. The Capital Projects Funds account for the following projects:

- Park Development Fund - To account for developer fees collected and expended for future park development and acquisition.
- Storm Drain Fund - To account for developer fees collected and expended for improving and expanding the storm drain system city-wide.
- Fire Equipment Fund - To account for developer fees collected and expended for fire equipment necessitated by development.
- Traffic Impact Fund - To account for developer fees collected and expended for major traffic control devices necessitated by development.
- Fire Facilities Fund - To account for developer fees collected and expended for major fire facilities necessitated by development.
- General Facilities Fund - To account for developer fees collected and expended for major general facilities necessitated by development.
- Federal/State Construction Grants Fund - To account for miscellaneous grants provided by Federal, State and County agencies and expended for various street, park and recreation purposes.
- Public Meeting Facilities Fund – To account for developer fees collected and expended for public meeting facilities as necessitated by development.
- Public Library Facilities Fund – To account for developer fees collected and expended for public library facilities as necessitated by development.

DEBT SERVICE FUNDS

The Debt Service Funds account for the accumulation of resources and the payment of general long-term debt principal and interest of the City's related entities in the following funds:

- Assessment District 72-1 Fund - To account for the accumulation of funds for the payment of principal and interest on bonds issued in 1973, for sewer line improvements on Redlands Blvd.
- Water Bond Redemption Fund - To account for the contributions from the Water Operations Fund and Water Acquisition Fund for the payment of principal and interest on Water Enterprise general obligation bonds issued to complete water system capital projects.
- Loma Linda Financing Authority Fund – Used to jointly exercise powers of the City and Redevelopment Agency and to establish a vehicle to reduce local borrowing costs and promote greater use of existing and new financial instruments.

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CITY OF LOMA LINDA
BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2005

	Special Revenue Funds				
	Traffic Safety	Gas Tax	Measure I	Street Lighting District	Landscape Maintenance District
Assets:					
Pooled cash and investments	\$ -	\$ -	\$ 265,100	\$ 561,833	\$ 53,963
Receivables:					
Taxes	-	39,500	52,334	4,898	3,375
Accrued interest	-	-	2,087	4,165	613
Prepaid costs	-	-	-	2,939	1,959
Due from other governments	8,851	-	-	-	-
Advances to other funds	-	-	-	-	-
Restricted assets:					
fiscal agents	-	-	-	-	-
Total Assets	\$ 8,851	\$ 39,500	\$ 319,521	\$ 573,835	\$ 59,910
Liabilities and Fund Balances:					
Liabilities:					
Accounts payable	\$ 125	\$ -	\$ 42,608	\$ 23,596	\$ 31,521
Accrued liabilities	-	-	-	299	201
Due to other funds	-	-	-	-	-
Deferred revenues	-	-	-	-	-
Unearned revenue	-	-	-	-	-
Deposits payable	-	-	-	-	12,408
Total Liabilities	125	-	42,608	23,895	44,130
Fund Balances:					
Reserved:					
Reserved for encumbrances	-	-	-	-	8,500
Reserved for prepaid costs	-	-	-	2,939	1,959
Reserved for advances to other funds	-	-	-	-	-
Unreserved:					
Undesignated	8,726	39,500	276,913	547,001	5,321
Total Fund Balances	8,726	39,500	276,913	549,940	15,780
Total Liabilities and Fund Balances	\$ 8,851	\$ 39,500	\$ 319,521	\$ 573,835	\$ 59,910

Special Revenue Funds						
Air Quality Management District	Community Development	EPA Grant	Grant Fund	Citizens Option for Public Safety Fund	Traffic Congestion Relief Grant	Development Agreement Consideration
\$ 18,062	\$ 13,206	\$ 79,915	\$ 48,895	\$ 189,967	\$ -	\$ -
-	-	-	-	-	-	-
111	95	-	387	1,772	-	32
-	-	-	-	-	-	-
6,170	145,587	48,266	17,283	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
\$ 24,343	\$ 158,888	\$ 128,181	\$ 66,565	\$ 191,739	\$ -	\$ 32
\$ 975	\$ -	\$ 11,341	\$ 3,626	\$ -	\$ -	\$ -
-	-	-	63	-	-	-
-	17,271	-	-	-	-	-
-	2,675	40	63,005	-	-	-
-	-	54,656	-	192,101	-	-
-	-	-	-	-	-	-
975	19,946	66,037	66,694	192,101	-	-
-	-	69,733	-	20,000	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
23,368	138,942	(7,589)	(129)	(20,362)	-	32
23,368	138,942	62,144	(129)	(362)	-	32
\$ 24,343	\$ 158,888	\$ 128,181	\$ 66,565	\$ 191,739	\$ -	\$ 32

CITY OF LOMA LINDA
BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2005

Capital Projects Funds

Assets:

	Park	Storm Drain	Fire Equipment	Traffic Impact	Fire Facilities
Pooled cash and investments	\$ 365,952	\$ 529,235	\$ 21,238	\$ 202,802	\$ 249,310
Receivables:					
Taxes	-	-	-	-	-
Accrued interest	2,701	3,796	152	1,380	1,786
Prepaid costs	-	-	-	-	-
Due from other governments	85,213	-	-	-	-
Advances to other funds	195,390	-	-	-	-
Restricted assets:					
Fiscal agents	-	-	-	-	-
Total Assets and Other Debits	\$ 649,256	\$ 533,031	\$ 21,390	\$ 204,182	\$ 251,096

Liabilities And Fund Balances

Liabilities:

Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -
Accrued liabilities	-	-	-	-	-
Due to other funds	-	-	-	-	-
Deferred revenues	280,603	-	-	-	-
Unearned revenue	-	-	-	-	-
Deposits payable	-	-	-	-	-
Total Liabilities	280,603	-	-	-	-

Fund Balances:

Reserved:

Reserved for encumbrances	-	-	-	2,000	-
Reserved for prepaid costs	-	-	-	-	-
Reserved for advances to other funds	195,390	-	-	-	-

Unreserved:

Undesignated	173,263	533,031	21,390	202,182	251,096
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Total Fund Balances	368,653	533,031	21,390	204,182	251,096
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Total Liabilities and Fund Balances	\$ 649,256	\$ 533,031	\$ 21,390	\$ 204,182	\$ 251,096
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Capital Projects Funds				Debt Service Funds
General Facilities	Federal/State Construction	Public Meeting Facilities	Public Library Facilities	Assessment District 72-1
\$ 68,224	\$ 78,889	\$ 344	\$ 260	\$ 52,364
-	-	-	-	-
596	603	2	2	375
-	-	-	-	-
-	792	-	-	-
-	-	-	-	-
-	-	-	-	-
<u>\$ 68,820</u>	<u>\$ 80,284</u>	<u>\$ 346</u>	<u>\$ 262</u>	<u>\$ 52,739</u>
\$ 1,796	\$ 8,362	\$ -	\$ -	\$ -
-	-	-	-	-
-	61,144	-	-	-
-	792	-	-	-
-	-	-	-	-
-	-	-	-	-
<u>1,796</u>	<u>70,298</u>	<u>-</u>	<u>-</u>	<u>-</u>
-	6,451	-	-	-
-	-	-	-	-
-	-	-	-	-
67,024	3,535	346	262	52,739
<u>67,024</u>	<u>9,986</u>	<u>346</u>	<u>262</u>	<u>52,739</u>
<u>\$ 68,820</u>	<u>\$ 80,284</u>	<u>\$ 346</u>	<u>\$ 262</u>	<u>\$ 52,739</u>

CITY OF LOMA LINDA

Schedule 1

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BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2005

	Debt Service Funds		
	Water Bond Redemption Fund	Loma Linda Financing Authority	Total Governmental Funds
Assets:			
Pooled cash and investments	\$ 37,620	\$ 318	\$ 2,837,497
Receivables:			
Taxes	-	-	100,107
Accrued interest	269	2	20,926
Prepaid costs	-	-	4,898
Due from other governments	-	-	312,162
Advances to other funds	-	-	195,390
Restricted assets:			
Cash and investments with fiscal agents	-	1,150,038	1,150,038
Total Assets	\$ 37,889	\$ 1,150,358	\$ 4,621,018
Liabilities and Fund Balances:			
Liabilities:			
Accounts payable	\$ -	\$ -	\$ 123,950
Accrued liabilities	-	-	563
Due to other funds	-	-	78,415
Deferred revenues	-	-	347,115
Unearned revenue	-	134,584	381,341
Deposits payable	-	-	12,408
Total Liabilities	-	134,584	943,792
Fund Balances:			
Reserved:			
Reserved for encumbrances	-	-	106,684
Reserved for prepaid costs	-	-	4,898
Reserved for advances to other funds	-	-	195,390
Unreserved:			
Undesignated	37,889	1,015,774	3,370,254
Total Fund Balances	37,889	1,015,774	3,677,226
Total Liabilities and Fund Balances	\$ 37,889	\$ 1,150,358	\$ 4,621,018

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CITY OF LOMA LINDA
COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2005

	Special Revenue Funds			
	Traffic Safety	Gas Tax	Measure I	Street Lighting District
Revenues:				
Taxes	\$ -	\$ -	\$ 308,343	\$ 293,171
Intergovernmental	-	396,768	-	-
Charges for services	-	-	-	-
Use of money and property	-	-	5,752	12,168
Fines and forfeitures	144,018	-	-	-
Contributions	-	-	-	-
Miscellaneous	-	-	-	-
Developer fees	-	-	-	-
Total Revenues	144,018	396,768	314,095	305,339
Expenditures:				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Community development	-	-	-	-
Public works	-	-	264,200	325,072
Capital outlay	-	-	-	-
Debt service:				
Principal retirement	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total Expenditures	-	-	264,200	325,072
Excess (Deficiency) of Revenues Over (Under) Expenditures	144,018	396,768	49,895	(19,733)
Other Financing Sources (Uses):				
Transfers in	-	-	-	-
Transfers out	(143,459)	(396,963)	-	-
Total Other Financing Sources (Uses)	(143,459)	(396,963)	-	-
Net Change in Fund Balances	559	(195)	49,895	(19,733)
 Fund Balances, Beginning of Year, as originally reported	 8,167	 39,695	 227,018	 569,673
Restatements	-	-	-	-
Fund Balances, Beginning of Year, as restated	8,167	39,695	227,018	569,673
Fund Balances, End of Year	\$ 8,726	\$ 39,500	\$ 276,913	\$ 549,940

Special Revenue Funds

Landscape Maintenance District	Air Quality Management District	Community Development	EPA Grant	Grant Fund
\$ 323,356	\$ -	\$ -	\$ -	\$ -
-	24,199	175,325	87,658	101,829
-	-	-	-	-
917	246	385	-	1,077
-	-	-	-	-
-	-	-	37,621	-
-	-	-	-	-
-	-	-	-	-
324,273	24,445	175,710	125,279	102,906
-	46,101	-	121	-
-	-	-	-	-
361,836	-	-	-	76,398
-	-	-	88,831	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
361,836	46,101	-	88,952	76,398
(37,563)	(21,656)	175,710	36,327	26,508
10,300	-	-	1,173	-
-	-	-	-	-
10,300	-	-	1,173	-
(27,263)	(21,656)	175,710	37,500	26,508
43,043	45,024	(36,768)	24,644	(26,637)
-	-	-	-	-
43,043	45,024	(36,768)	24,644	(26,637)
\$ 15,780	\$ 23,368	\$ 138,942	\$ 62,144	\$ (129)

CITY OF LOMA LINDA
COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2005

	Special Revenue Funds			Capital Projects Funds	
	Citizens Option for Public Safety Fund	Traffic Congestion Relief Grant	Development Agreement Consideration	Park	Storm Drain
Revenues:					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	77,211	-	-	58,540	-
Charges for services	-	-	-	-	155,361
Use of money and property	2,717	-	1,822	5,947	10,315
Fines and forfeitures	-	-	-	-	-
Contributions	-	-	-	5,750	-
Miscellaneous	-	-	-	14,268	-
Developer fees	-	-	895,065	422,418	-
Total Revenues	79,928	-	896,887	506,923	165,676
Expenditures:					
Current:					
General Government	-	-	-	-	-
Public Safety	220	-	-	-	-
Community Development	-	-	-	-	-
Public Works	-	-	-	-	5,170
Capital Outlay	-	-	-	190,811	-
Debt service:					
Principal retirement	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-
Total Expenditures	220	-	-	190,811	5,170
Excess (Deficiency) of Revenues Over Expenditures	79,708	-	896,887	316,112	160,506
Other Financing Sources (Uses):					
Transfers in	-	-	-	-	-
Transfers out	(79,707)	-	(966,623)	-	-
Total Other Financing Sources (Uses)	(79,707)	-	(966,623)	-	-
Net Change in Fund Balances	1	-	(69,736)	316,112	160,506
 Fund Balances, Beginning of Year, as Reported	 (363)	 2,986	 69,768	 52,541	 372,525
Restatements	-	(2,986)	-	-	-
Fund Balances, Beginning of Year, as Restated	(363)	-	69,768	52,541	372,525
Fund Balances, End of Year	\$ (362)	\$ -	\$ 32	\$ 368,653	\$ 533,031

Capital Projects Funds

Fire Equipment	Traffic Impact	Fire Facilities	General Facilities	Federal/State Construction	Public Meeting Facilities	Public Library Facilities
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	308,579	-	-
23,041	-	-	-	-	-	-
363	3,777	5,112	1,672	778	3	2
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	91,745	59,233	86,952	-	343	260
23,404	95,522	64,345	88,624	309,357	346	262
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	60,241	-	-
-	14,404	-	38,985	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	14,404	-	38,985	60,241	-	-
23,404	81,118	64,345	49,639	249,116	346	262
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
23,404	81,118	64,345	49,639	249,116	346	262
(2,014)	123,064	186,751	17,385	(239,130)	-	-
-	-	-	-	-	-	-
(2,014)	123,064	186,751	17,385	(239,130)	-	-
\$ 21,390	\$ 204,182	\$ 251,096	\$ 67,024	\$ 9,986	\$ 346	\$ 262

CITY OF LOMA LINDA

Schedule 2
Page 5 of 5COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2005

	Debt Service Funds			Total
	Assessment District 72-1	Water Bond Redemption Fund	Loma Linda Financing Authority	Governmental Funds
Revenues:				
Taxes	\$ -	\$ -	\$ -	\$ 924,870
Intergovernmental	-	-	-	1,230,109
Charges for services	-	-	-	178,402
Use of money and property	1,534	829	30,780	86,196
Fines and forfeitures	-	-	-	144,018
Contributions	-	-	-	43,371
Miscellaneous	-	-	-	14,268
Developer fees	-	-	-	1,556,016
Total Revenues	1,534	829	30,780	4,177,250
Expenditures:				
Current:				
General government	-	-	4,025	50,247
Public safety	-	-	-	220
Community development	-	-	-	438,234
Public works	-	-	-	743,514
Capital outlay	-	-	-	244,200
Debt service:				
Principal retirement	-	-	675,000	675,000
Interest and fiscal charges	-	10,000	320,763	330,763
Total Expenditures	-	10,000	999,788	2,482,178
Excess (Deficiency) of Revenues Over (Under) Expenditures	1,534	(9,171)	(969,008)	1,695,072
Other Financing Sources (Uses):				
Transfers in	-	-	967,315	978,788
Transfers out	-	-	-	(1,586,752)
Total Other Financing Sources (Uses)	-	-	967,315	(607,964)
Net Change in Fund Balances	1,534	(9,171)	(1,693)	1,087,108
Fund Balances, Beginning of Year, as originally reported	51,205	47,060	1,017,467	2,593,104
Restatements	-	-	-	(2,986)
Fund Balances, Beginning of Year, as restated	51,205	47,060	1,017,467	2,590,118
Fund Balances, End of Year	\$ 52,739	\$ 37,889	\$ 1,015,774	\$ 3,677,226

CITY OF LOMA LINDA

Schedule 3A

**BUDGETARY COMPARISON SCHEDULE
TRAFFIC SAFETY
YEAR ENDED JUNE 30, 2005**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 8,167	\$ 8,167	\$ 8,167	\$ -
Resources (Inflows):				
Fines and forfeitures	149,000	144,000	144,018	18
Amounts Available for Appropriation	157,167	152,167	152,185	18
Charges to Appropriation (Outflow):				
Transfers to other funds	149,000	144,000	143,459	541
Total Charges to Appropriations	149,000	144,000	143,459	541
Budgetary Fund Balance, June 30	\$ 8,167	\$ 8,167	\$ 8,726	\$ 559

**BUDGETARY COMPARISON SCHEDULE
GAS TAX
YEAR ENDED JUNE 30, 2005**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 39,695	\$ 39,695	\$ 39,695	\$ -
Resources (Inflows):				
Intergovernmental	407,000	407,000	396,768	(10,232)
Amounts Available for Appropriation	446,695	446,695	436,463	(10,232)
Charges to Appropriation (Outflow):				
Transfers to other funds	407,000	407,000	396,963	10,037
Total Charges to Appropriations	407,000	407,000	396,963	10,037
Budgetary Fund Balance, June 30	\$ 39,695	\$ 39,695	\$ 39,500	\$ (195)

**BUDGETARY COMPARISON SCHEDULES
MEASURE I
YEAR ENDED JUNE 30, 2005**

	Budget Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
Budgetary Fund Balance, July 1	\$ 227,018	\$ 227,018	\$ 227,018	\$ -
Resources (Inflows):				
Taxes	265,000	265,000	308,343	43,343
Use of money and property	3,000	3,000	5,752	2,752
Amounts Available for Appropriation	495,018	495,018	541,113	46,095
Charges to Appropriation (Outflow):				
Public works	395,700	395,700	264,200	131,500
Total Charges to Appropriations	395,700	395,700	264,200	131,500
Budgetary Fund Balance, June 30	\$ 99,318	\$ 99,318	\$ 276,913	\$ 177,595

**BUDGETARY COMPARISON SCHEDULE
STREET LIGHTING DISTRICT
YEAR ENDED JUNE 30, 2005**

	Budget Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
Budgetary Fund Balance, July 1	\$ 569,673	\$ 569,673	569,673	\$ -
Resources (Inflows):				
Taxes	293,900	297,400	293,171	(4,229)
Use of money and property	5,000	5,000	12,168	7,168
Amounts Available for Appropriation	868,573	872,073	875,012	2,939
Charges to Appropriation (Outflow):				
Public works	335,000	387,100	325,072	62,028
Total Charges to Appropriations	335,000	387,100	325,072	62,028
Budgetary Fund Balance, June 30	\$ 533,573	\$ 484,973	\$ 549,940	\$ 64,967

**BUDGETARY COMPARISON SCHEDULE
LANDSCAPE MAINTENANCE DISTRICT
YEAR ENDED JUNE 30, 2005**

	Budget Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
Budgetary Fund Balance, July 1	\$ 43,043	\$ 43,043	\$ 43,043	\$ -
Resources (Inflows):				
Taxes	288,000	305,000	323,356	18,356
Use of money and property	1,000	1,000	917	(83)
Transfers from other funds	-	10,300	10,300	-
Amounts Available for Appropriation	332,043	359,343	377,616	18,273
Charges to Appropriation (Outflow):				
Community development	359,200	359,300	361,836	(2,536)
Total Charges to Appropriations	359,200	359,300	361,836	(2,536)
Budgetary Fund Balance, June 30	\$ (27,157)	\$ 43	\$ 15,780	\$ 15,737

**BUDGETARY COMPARISON SCHEDULE
AIR QUALITY MANAGEMENT DISTRICT
YEAR ENDED JUNE 30, 2005**

	Budget Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
Budgetary Fund Balance, July 1	\$ 45,024	\$ 45,024	\$ 45,024	\$ -
Resources (Inflows):				
Intergovernmental	22,000	24,000	24,199	199
Use of money and property	300	300	246	(54)
Amounts Available for Appropriation	67,324	69,324	69,469	145
Charges to Appropriation (Outflow):				
General government	32,100	46,400	46,101	299
Total Charges to Appropriations	32,100	46,400	46,101	299
Budgetary Fund Balance, June 30	\$ 35,224	\$ 22,924	\$ 23,368	\$ 444

CITY OF LOMA LINDA

Schedule 3G

**BUDGETARY COMPARISON SCHEDULE
COMMUNITY DEVELOPMENT
YEAR ENDED JUNE 30, 2005**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ (36,768)	\$ (36,768)	\$ (36,768)	\$ -
Resources (Inflows):				
Intergovernmental	141,100	141,100	175,325	34,225
Use of money and property	-	-	385	385
Amounts Available for Appropriation	104,332	104,332	138,942	34,610
Charges to Appropriation (Outflow):				
Public works	141,000	141,000	-	141,000
Total Charges to Appropriations	141,000	141,000	-	141,000
Budgetary Fund Balance, June 30	\$ (36,668)	\$ (36,668)	\$ 138,942	\$ 175,610

**BUDGETARY COMPARISON SCHEDULE
ENVIRONMENTAL PROTECTION AGENCY GRANT
YEAR ENDED JUNE 30, 2005**

	Budget Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
Budgetary Fund Balance, July 1	\$ 24,644	\$ 24,644	\$ 24,644	\$ -
Resources (Inflows):				
Intergovernmental	85,000	1,500,300	87,658	(1,412,642)
Contributions	-	-	37,621	37,621
Transfers from other funds	-	-	1,173	1,173
Amounts Available for Appropriation	109,644	1,524,944	151,096	(1,373,848)
Charges to Appropriation (Outflow):				
General government	-	200	121	79
Public works	123,300	1,502,600	88,831	1,413,769
Total Charges to Appropriations	123,300	1,502,800	88,952	1,413,848
Budgetary Fund Balance, June 30	\$ (13,656)	\$ 22,144	\$ 62,144	\$ 40,000

**BUDGETARY COMPARISON SCHEDULE
GRANT FUND
YEAR ENDED JUNE 30, 2005**

	Budget Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
Budgetary Fund Balance, July 1	\$ (26,637)	\$ (26,637)	\$ (26,637)	\$ -
Resources (Inflows):				
Intergovernmental	60,600	123,900	101,829	(22,071)
Use of money and property	700	700	1,077	377
Amounts Available for Appropriation	34,663	97,963	76,269	(21,694)
Charges to Appropriation (Outflow):				
Community development	60,600	95,000	76,398	18,602
Total Charges to Appropriations	60,600	95,000	76,398	18,602
Budgetary Fund Balance, June 30	\$ (25,937)	\$ 2,963	\$ (129)	\$ (3,092)

**BUDGETARY COMPARISON SCHEDULE
CITIZENS OPTIONS FOR PUBLIC SAFETY
YEAR ENDED JUNE 30, 2005**

	Budget Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
Budgetary Fund Balance, July 1	\$ (363)	\$ (363)	\$ (363)	\$ -
Resources (Inflows):				
Intergovernmental	101,400	101,400	77,211	(24,189)
Use of money and property	1,000	1,000	2,717	1,717
Amounts Available for Appropriation	102,037	102,037	79,565	(22,472)
Charges to Appropriation (Outflow):				
Public safety	-	112,000	220	111,780
Transfers to other funds	101,900	76,000	79,707	(3,707)
Total Charges to Appropriations	101,900	188,000	79,927	108,073
Budgetary Fund Balance, June 30	\$ 137	\$ (85,963)	\$ (362)	\$ 85,601

**BUDGETARY COMPARISON SCHEDULE
DEVELOPMENT AGREEMENT CONSIDERATION
YEAR ENDED JUNE 30, 2005**

	Budget Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
Budgetary Fund Balance, July 1	\$ 69,768	\$ 69,768	\$ 69,768	\$ -
Resources (Inflows):				
Use of money and property	12,000	12,000	1,822	(10,178)
Developer fees	2,636,100	2,012,200	895,065	(1,117,135)
Amounts Available for Appropriation	2,717,868	2,093,968	966,655	(1,127,313)
Charges to Appropriation (Outflow):				
Transfers to other funds	1,290,000	1,445,000	966,623	478,377
Total Charges to Appropriations	1,290,000	1,445,000	966,623	478,377
Budgetary Fund Balance, June 30	\$ 1,427,868	\$ 648,968	\$ 32	\$ (648,936)

CITY OF LOMA LINDA

Schedule 4A

**BUDGETARY COMPARISON SCHEDULE
PARK
YEAR ENDED JUNE 30, 2005**

	Budget Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
Budgetary Fund Balance, July 1	\$ 52,541	\$ 52,541	\$ 52,541	\$ -
Resources (Inflows):				
Intergovernmental	212,900	212,900	58,540	(154,360)
Use of money and property	500	500	5,947	5,447
Miscellaneous	-	-	14,268	14,268
Developer fees	526,500	926,300	422,418	(503,882)
Contributions	-	-	5,750	5,750
Amounts Available for Appropriation	792,441	1,192,241	559,464	(632,777)
Charges to Appropriation (Outflow):				
Capital outlay	396,000	415,200	190,811	224,389
Total Charges to Appropriations	396,000	415,200	190,811	224,389
Budgetary Fund Balance, June 30	\$ 396,441	\$ 777,041	\$ 368,653	\$ (408,388)

CITY OF LOMA LINDA

Schedule 4B

**BUDGETARY COMPARISON SCHEDULE
STORM DRAIN
YEAR ENDED JUNE 30, 2005**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 372,525	\$ 372,525	\$ 372,525	\$ -
Resources (Inflows):				
Charges for services	549,900	245,900	155,361	(90,539)
Use of money and property	5,000	5,000	10,315	5,315
Amounts Available for Appropriation	927,425	623,425	538,201	(85,224)
Charges to Appropriation (Outflow):				
Public works	123,400	123,400	5,170	118,230
Total Charges to Appropriations	123,400	123,400	5,170	118,230
Budgetary Fund Balance, June 30	\$ 804,025	\$ 500,025	\$ 533,031	\$ 33,006

CITY OF LOMA LINDA

Schedule 4C

**BUDGETARY COMPARISON SCHEDULE
FIRE EQUIPMENT
YEAR ENDED JUNE 30, 2005**

	Budget Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
Budgetary Fund Balance, July 1	\$ (2,014)	\$ (2,014)	\$ (2,014)	\$ -
Resources (Inflows):				
Charges for services	20,200	24,600	23,041	(1,559)
Use of money and property	100	100	363	263
Amounts Available for Appropriation	18,286	22,686	21,390	(1,296)
Budgetary Fund Balance, June 30	\$ 18,286	\$ 22,686	\$ 21,390	\$ (1,296)

CITY OF LOMA LINDA

Schedule 4D

**BUDGETARY COMPARISON SCHEDULE
TRAFFIC IMPACT
YEAR ENDED JUNE 30, 2005**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 123,064	\$ 123,064	\$ 123,064	\$ -
Resources (Inflows):				
Use of money and property	1,700	1,700	3,777	2,077
Developer fees	62,900	346,700	91,745	(254,955)
Amounts Available for Appropriation	187,664	471,464	218,586	(252,878)
Charges to Appropriation (Outflow):				
Capital outlay	141,000	141,000	14,404	126,596
Total Charges to Appropriations	141,000	141,000	14,404	126,596
Budgetary Fund Balance, June 30	\$ 46,664	\$ 330,464	\$ 204,182	\$ (126,282)

**BUDGETARY COMPARISON SCHEDULE
FIRE FACILITIES
YEAR ENDED JUNE 30, 2005**

	Budget Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
Budgetary Fund Balance, July 1	\$ 186,751	\$ 186,751	\$ 186,751	\$ -
Resources (Inflows):				
Use of money and property	2,100	2,100	5,112	3,012
Developer fees	51,700	114,300	59,233	(55,067)
Amounts Available for Appropriation	240,551	303,151	251,096	(52,055)
Budgetary Fund Balance, June 30	\$ 240,551	\$ 303,151	\$ 251,096	\$ (52,055)

CITY OF LOMA LINDA

Schedule 4F

**BUDGETARY COMPARISON SCHEDULE
GENERAL FACILITIES
YEAR ENDED JUNE 30, 2005**

	Budget Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
Budgetary Fund Balance, July 1	\$ 17,385	\$ 17,385	\$ 17,385	\$ -
Resources (Inflows):				
Use of money and property	500	500	1,672	1,172
Developer fees	74,700	286,400	86,952	(199,448)
Amounts Available for Appropriation	92,585	304,285	106,009	(198,276)
Charges to Appropriation (Outflow):				
Capital outlay	39,900	39,900	38,985	915
Total Charges to Appropriations	39,900	39,900	38,985	915
Budgetary Fund Balance, June 30	\$ 52,685	\$ 264,385	\$ 67,024	\$ (197,361)

CITY OF LOMA LINDA

Schedule 4G

**BUDGETARY COMPARISON SCHEDULE
FEDERAL/STATE CONSTRUCTION
YEAR ENDED JUNE 30, 2005**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ (239,130)	\$ (239,130)	\$ (239,130)	\$ -
Resources (Inflows):				
Intergovernmental	4,551,500	304,000	308,579	4,579
Use of money and property	-	-	778	778
Amounts Available for Appropriation	4,312,370	64,870	70,227	5,357
Charges to Appropriation (Outflow):				
Public works	4,553,000	100,000	60,241	39,759
Total Charges to Appropriations	4,553,000	100,000	60,241	39,759
Budgetary Fund Balance, June 30	\$ (240,630)	\$ (35,130)	\$ 9,986	\$ 45,116

**BUDGETARY COMPARISON SCHEDULE
PUBLIC MEETING FACILITIES
YEAR ENDED JUNE 30, 2005**

	Budget Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
Budgetary Fund Balance, July 1	\$ -	\$ -	\$ -	\$ -
Resources (Inflows):				
Use of money and property	-	100	3	(97)
Developer fees	-	31,000	343	(30,657)
Amounts Available for Appropriation	-	31,100	346	(30,754)
Budgetary Fund Balance, June 30	\$ -	\$ 31,100	\$ 346	\$ (30,754)

**BUDGETARY COMPARISON SCHEDULE
PUBLIC LIBRARY FACILITIES
YEAR ENDED JUNE 30, 2005**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ -	\$ -	\$ -	\$ -
Resources (Inflows):				
Use of money and property	-	100	2	(98)
Developer fees	-	23,500	260	(23,240)
Amounts Available for Appropriation	-	23,600	262	(23,338)
Budgetary Fund Balance, June 30	\$ -	\$ 23,600	\$ 262	\$ (23,338)

CITY OF LOMA LINDA

Schedule 4J

**BUDGETARY COMPARISON SCHEDULE
SPECIAL PROJECTS CONSTRUCTION
YEAR ENDED JUNE 30, 2005**

	Budget Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
Budgetary Fund Balance, July 1	\$ 7,725,286	\$ 7,725,286	\$ 7,725,286	\$ -
Resources (Inflows):				
Use of money and property	12,000	12,000	220,457	208,457
Amounts Available for Appropriation	7,737,286	7,737,286	7,945,743	208,457
Charges to Appropriation (Outflow):				
Transfers to other funds	463,000	533,000	532,960	40
Total Charges to Appropriations	463,000	533,000	532,960	40
Budgetary Fund Balance, June 30	\$ 7,274,286	\$ 7,204,286	\$ 7,412,783	\$ 208,497

**BUDGETARY COMPARISON SCHEDULE
REDEVELOPMENT AGENCY - CAPITAL PROJECTS
YEAR ENDED JUNE 30, 2005**

	Budget Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
Budgetary Fund Balance, July 1	\$ 9,500,882	\$ 9,500,882	\$ 9,500,882	\$ -
Resources (Inflows):				
Taxes	688,700	729,700	877,908	148,208
Use of money and property	154,500	154,500	300,580	146,080
Other	1,252,000	1,252,000	4,649	(1,247,351)
Transfers from other funds	1,394,000	1,549,000	1,482,622	(66,378)
Amounts Available for Appropriation	12,990,082	13,186,082	12,166,641	(1,019,441)
Charges to Appropriation (Outflow):				
General government	2,088,500	2,180,000	1,871,059	308,941
Community development	5,889,100	6,347,800	514,712	5,833,088
Transfers to other funds	52,000	54,200	53,649	551
Total Charges to Appropriations	8,029,600	8,582,000	2,439,420	6,142,580
Budgetary Fund Balance, June 30	\$ 4,960,482	\$ 4,604,082	\$ 9,727,221	\$ 5,123,139

**BUDGETARY COMPARISON SCHEDULE
ASSESSMENT DISTRICT 72-1
YEAR ENDED JUNE 30, 2005**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 51,205	\$ 51,205	\$ 51,205	\$ -
Resources (Inflows):				
Use of money and property	500	900	1,534	634
Amounts Available for Appropriation	51,705	52,105	52,739	634
Budgetary Fund Balance, June 30	\$ 51,705	\$ 52,105	\$ 52,739	\$ 634

CITY OF LOMA LINDA

Schedule 5B

**BUDGETARY COMPARISON SCHEDULE
1978 WATER BOND REDEMPTION
YEAR ENDED JUNE 30, 2005**

	Budget Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
Budgetary Fund Balance, July 1	\$ 47,060	\$ 47,060	\$ 47,060	\$ -
Resources (Inflows):				
Use of money and property	500	700	829	129
Amounts Available for Appropriation	47,560	47,760	47,889	129
Charges to Appropriation (Outflow):				
Debt Service:				
Interest and fiscal charges	-	30,000	10,000	20,000
Total Charges to Appropriations	-	30,000	10,000	20,000
Budgetary Fund Balance, June 30	\$ 47,560	\$ 17,760	\$ 37,889	\$ 20,129

**BUDGETARY COMPARISON SCHEDULE
LOMA LINDA PUBLIC FINANCING AUTHORITY
YEAR ENDED JUNE 30, 2005**

	Budget Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
Budgetary Fund Balance, July 1	\$ 1,017,467	\$ 1,017,467	\$ 1,017,467	\$ -
Resources (Inflows):				
Use of money and property	-	16,100	30,780	14,680
Transfers from other funds	-	979,700	967,315	(12,385)
Amounts Available for Appropriation	1,017,467	2,013,267	2,015,562	2,295
Charges to Appropriation (Outflow):				
General government	-	2,300	4,025	(1,725)
Debt service:				
Principal	-	675,000	675,000	-
Interest and fiscal charges	-	320,800	320,763	37
Total Charges to Appropriations	-	998,100	999,788	(1,688)
Budgetary Fund Balance, June 30	\$ 1,017,467	\$ 1,015,167	\$ 1,015,774	\$ 607

**BUDGETARY COMPARISON SCHEDULE
REDEVELOPMENT AGENCY - DEBT SERVICE
YEAR ENDED JUNE 30, 2005**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ (7,947,250)	\$ (7,947,250)	\$ (7,947,250)	\$ -
Resources (Inflows):				
Taxes	2,620,500	2,783,900	3,302,855	518,955
Use of money and property	5,300	5,300	26,054	20,754
Other	1,192,000	1,192,000	-	(1,192,000)
Transfers from other funds	-	-	1,418	1,418
Amounts Available for Appropriation	(4,129,450)	(3,966,050)	(4,616,923)	(650,873)
Charges to Appropriation (Outflow):				
Debt service:				
Principal	2,069,200	2,069,200	384,113	1,685,087
Interest and fiscal charges	1,711,700	1,723,600	1,703,071	20,529
Transfers to other funds	-	-	464,000	(464,000)
Total Charges to Appropriations	3,780,900	3,792,800	2,551,184	1,241,616
Budgetary Fund Balance, June 30	\$ (7,910,350)	\$ (7,758,850)	\$ (7,168,107)	\$ 590,743

Agency Funds



CITY OF LOMA LINDA
COMBINING BALANCE SHEET
ALL AGENCY FUNDS
JUNE 30, 2005

Schedule 6

	<u>Association Fire Equipment</u>	<u>Customer Deposit</u>	<u>Totals</u>
Assets:			
Cash and investments	\$ 175	\$ 86,837	\$ 87,012
Total Assets	<u>\$ 175</u>	<u>\$ 86,837</u>	<u>\$ 87,012</u>
Liabilities:			
Accounts payable	\$ 115	\$ -	\$ 115
Deposits	<u>60</u>	<u>86,837</u>	<u>86,897</u>
Total Liabilities	<u>\$ 175</u>	<u>\$ 86,837</u>	<u>\$ 87,012</u>

CITY OF LOMA LINDA

Schedule 7

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

	<u>Balance July 1, 2004</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2005</u>
<u>Association Fire Equipment Fund</u>				
Assets:				
Cash and investments	\$ 110	\$ 814	\$ 749	\$ 175
Total Assets	\$ 110	\$ 814	\$ 749	\$ 175
Liabilities:				
Accounts payable	\$ 50	\$ 814	\$ 749	\$ 115
Deposits	60	697	697	60
Total Liabilities	\$ 110	\$ 1,511	\$ 1,446	\$ 175
<u>Customer Deposits</u>				
Assets:				
Cash and investments	\$ 72,785	\$ 92,581	\$ 78,529	\$ 86,837
Total Assets	\$ 72,785	\$ 92,581	\$ 78,529	\$ 86,837
Liabilities:				
Accounts payable	\$ -	\$ 2,694	\$ 2,694	\$ -
Deposits	72,785	92,581	78,529	86,837
Total Liabilities	\$ 72,785	\$ 95,275	\$ 81,223	\$ 86,837
<u>Total - All Agency Funds</u>				
Assets:				
Cash and investments	\$ 72,895	\$ 93,395	\$ 79,278	\$ 87,012
Total Assets	\$ 72,895	\$ 93,395	\$ 79,278	\$ 87,012
Liabilities:				
Accounts payable	\$ 50	\$ 3,508	\$ 3,443	\$ 115
Deposits	72,845	93,278	79,226	86,897
Total Liabilities	\$ 72,895	\$ 96,786	\$ 82,669	\$ 87,012

Statistical Section



**GENERAL GOVERNMENTAL EXPENDITURES BY FUNCTION
LAST TEN (10) FISCAL YEARS**

Fiscal Year	General Government	Public Safety	Public Works	Refuse	Parks	Community Development	Capital Outlay	Debt Service	Total
1996	\$ 1,445,217	\$ 3,472,233	\$ 1,263,431	\$1,141,528	\$ 221,528	\$ 17,430	\$ 1,078,038	\$ 1,193,406	\$ 9,832,811
1997	1,582,854	3,147,933	1,054,358	1,351,255	197,745	-	299,331	1,170,201	8,803,677
1998	1,554,743	3,457,602	1,205,962	1,362,498	263,951	-	763,832	1,162,231	9,770,819
1999	2,352,118	3,431,484	1,114,310	1,729,157	258,703	-	621,072	577,348	10,084,192
2000	1,839,111	3,604,445	1,254,729	1,525,418	289,477	-	92,486	1,184,742	9,790,408
2001	2,989,345	3,810,363	1,547,086	1,643,784	340,208	19,260	586,761	1,128,604	12,065,411
2002	2,099,438	3,988,188	2,212,863	1,687,951	333,264	581,065	1,111,106	1,115,323	13,129,198
2003 (1)	3,280,588	5,566,662	4,164,120	-	-	1,023,527	258,867	3,310,922	17,604,686
2004	2,665,745	4,682,066	4,116,492	-	-	2,119,235	362,267	2,984,513	16,930,318
2005	2,890,312	4,976,235	3,706,711	-	-	2,733,328	244,200	3,211,057	17,761,843

Includes General, Special Revenue, Debt Service and Capital Projects Funds.

(1) Redevelopment Agency expenditures were excluded from the Governmental Funds Financial Statements in 2002 and prior years

Source: City of Loma Linda Finance Department.

**GENERAL GOVERNMENTAL REVENUES BY SOURCE
LAST TEN (10) FISCAL YEARS**

Fiscal Year	Taxes and Assessments	Licenses and Permits	Fines and Forfeits	Use of Money and Property	Inter-Governmental	Charges for Services	Developer Contributions	Other	Total
1996	\$ 3,971,815	\$ 115,096	\$ 151,589	\$ 850,780	\$ 1,433,671	\$ 1,732,401	\$ 13,358	\$ 1,283,945	\$ 9,552,655
1997	3,263,038	176,071	144,952	873,087	1,651,143	1,867,983	89,786	1,395,048	9,461,108
1998	3,450,759	141,350	92,043	908,405	1,685,219	1,880,694	19,909	1,232,349	9,410,728
1999	4,034,373	624,869	148,562	796,388	1,691,558	2,539,759	413,480	1,038,520	11,287,509
2000	4,070,768	679,517	143,529	1,073,788	1,867,896	2,108,564	140,602	1,438,674	11,523,338
2001	4,811,123	381,625	154,055	1,036,102	1,641,977	2,148,212	441,674	960,244	11,575,012
2002	4,838,290	359,854	158,971	562,704	2,288,028	2,350,233	163,579	1,196,413	11,918,072
2003 (1)	7,999,628	221,549	222,105	1,380,690	2,586,843	2,311,270	44,795	1,936,583	16,703,463
2004	8,082,388	814,575	169,862	1,139,325	1,972,734	2,691,658	102,923	1,803,298	16,776,763
2005	9,341,099	1,274,884	165,057	1,046,965	2,944,606	3,115,924	1,556,016	1,732,978	21,177,529

Includes General, Special Revenue, Debt Service and Capital Projects Funds.

(1) Redevelopment Agency revenues were excluded from the Governmental Funds Financial Statements in 2002 and prior years

Source: City of Loma Linda Finance Department.

**GENERAL GOVERNMENTAL TAX AND ASSESSMENTS REVENUES BY SOURCE
LAST TEN (10) FISCAL YEARS**

Fiscal Year	Property Taxes	Sales & Use Tax	Franchise Fees	Transfer Tax	Transient Tax	Business License	Utility Users Tax	Misc. Taxes	Assess-ments	Total
1996	\$ 547,751	\$ 1,828,422	\$ 227,716	\$ 19,604	\$ 4,169	\$ 150,426	\$ 772,134	\$ -	\$ 421,593	\$ 3,971,815
1997	551,478	1,531,308	241,716	15,386	4,197	164,975	138,271	-	615,707	3,263,038
1998	551,740	1,751,378	323,964	25,723	7,602	167,104	-	6,257	616,991	3,450,759
1999	560,954	2,395,957	301,731	26,269	7,453	195,932	-	5,613	540,464	4,034,373
2000	605,285	2,315,983	309,788	50,023	7,477	220,451	-	6,782	554,979	4,070,768
2001	626,200	2,706,632	374,648	46,652	11,005	199,903	-	265,015	581,068	4,811,123
2002	717,732	2,700,666	414,011	-	8,864	215,836	-	219,504	561,677	4,838,290
2003 (1)	3,921,059	2,657,656	350,577	49,679	8,809	181,375	-	267,756	562,717	7,999,628
2004	4,411,438	2,342,773	442,994	68,036	8,319	230,221	-	7,380	571,227	8,082,388
2005	4,954,740	2,910,782	466,528	127,641	5,056	250,077	-	9,748	616,527	9,341,099

Includes General, Special Revenue, Debt Service and Capital Projects Funds.

(1) Redevelopment Agency expenditures were excluded from the Governmental Funds Financial Statements in 2002 and prior years

Source: City of Loma Linda Finance Department.

**PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN (10) FISCAL YEARS**

Fiscal Year	Current Tax Levy	Current Tax Collections	Percent of Current Taxes Collected	Delinquent Tax Collections	Total Tax Collections	Percent of Total Tax Collections to Tax Levy
1996	\$ 551,138	\$ 516,434	93.7%	\$ 38,743	\$ 555,177	100.7%
1997	564,470	531,816	94.2%	45,140	576,956	102.2%
1998	564,240	533,413	94.5%	39,328	572,741	101.5%
1999	572,094	544,039	95.1%	45,707	589,746	103.1%
2000	603,549	576,977	95.6%	47,237	624,214	103.4%
2001	628,771	606,154	96.4%	36,050	642,204	102.1%
2002	654,976	639,612	97.7%	37,774	677,385	103.4%
2003	694,866	681,648	98.1%	45,714	727,362	104.7%
2004	750,483	749,529	99.9%	51,292	800,821	106.7%
2005	849,616	828,805	97.6%	64,931	893,736	105.2%

Source: San Bernardino County Auditor-Controller
Property Tax Division

**PROPERTY ASSESSED VALUATION
LAST TEN (10) FISCAL YEARS**

Fiscal Year	Secured	Nonunitary	Unsecured	Total Assessed Valuation	Homeowner's Exemptions	Net Assessed Valuation
1996	\$ 704,974,320	\$ 447,552	\$ 25,349,668	\$ 730,771,540	\$ 14,699,635	\$ 716,071,905
1997	716,367,417	464,545	43,581,499	760,413,461	14,625,674	745,787,787
1998	728,692,898	546,607	34,687,577	763,927,082	14,482,664	749,444,418
1999	739,944,695	610,795	32,249,457	772,804,947	14,193,113	758,611,834
2000	761,195,574	450,175	46,817,043	808,462,792	14,001,727	794,461,065
2001	786,540,525	432,228	35,612,402	822,585,155	14,001,727	808,583,428
2002	861,120,866	476,725	32,289,731	893,887,322	14,668,069	879,219,253
2003	885,505,526	467,832	36,035,764	922,009,122	15,165,351	906,843,771
2004	959,024,993	500,764	43,812,582	1,003,338,339	16,269,951	987,068,388
2005	1,110,561,618	566,528	34,511,153	1,145,639,299	16,144,851	1,129,494,448

Sources: The HdL Companies
San Bernardino County Auditor-Controller / Property Tax Division

**ASSESSED VALUE AND ACTUAL VALUE OF TAXABLE PROPERTY
LAST THREE (3) FISCAL YEARS**

Fiscal Year	Residential Property	Commercial Property	Industrial Property	Institutional Property	Other	Less: Tax Exempt Property	Total Taxable Assessed Valuation	Total Direct Tax Rate
2003 ¹	\$ 707,605,170	\$ 98,931,456	\$ 26,436,917	\$ 3,069,044	\$ 85,966,535	\$ -	\$ 922,009,122	1.0000
2004	777,141,094	103,934,170	27,503,645	4,242,588	90,327,738	-	1,003,149,235	1.0000
2005	830,376,970	111,096,540	43,138,998	64,568,282	96,413,787	-	1,145,594,577	1.0000

Sources: The HdL Companies
San Bernardino County Auditor-Controller / Property Tax Divisor

Note: Property in the City is reassessed each year. Property is assessed at actual value; therefore the assessed values are equal to the actual value. Tax rates are per \$100 of assessed value.

¹ Information prior to Fiscal Year 2003 is not available.

**PROPERTY TAX RATES
DIRECT AND OVERLAPPING GOVERNMENT
LAST TEN (10) FISCAL YEARS**

Fiscal Year	Tax Rate Area (1)	General Tax Levy	City	Schools Colton Unified	Redlands Unified	Water	Total
1996	13004	1.0000%	0.0405%		0.0799%	0.0870%	1.2074%
	All other Areas	1.0000%			0.0799%	0.0870%	1.1669%
1997	13004	1.0000%	0.0400%		0.0437%	0.0870%	1.1707%
	All other Areas	1.0000%			0.0437%	0.0870%	1.1307%
1998	13004	1.0000%	0.0391%		0.0485%	0.1070%	1.1946%
	All other Areas	1.0000%			0.0485%	0.1070%	1.1555%
1999	13004	1.0000%	0.0384%		0.0485%	0.1070%	1.1939%
	All other Areas	1.0000%			0.0485%	0.1070%	1.1555%
2000	13004	1.0000%	0.0376%		0.0482%	0.1070%	1.1928%
	All other Areas	1.0000%			0.0482%	0.1070%	1.1552%
2001	13004	1.0000%	0.0365%		0.0444%	0.1070%	1.1879%
	All other Areas	1.0000%			0.0444%	0.1070%	1.1514%
2002	13004	1.0000%	0.0354%		0.0133%	0.1420%	1.1907%
	All other Areas	1.0000%			0.0133%	0.1420%	1.1553%
2003	13004	1.0000%	0.0344%		0.0351%	0.1400%	1.2095%
	(2)	1.0000%		0.0604%		0.1400%	1.2004%
	All other Areas	1.0000%			0.0351%	0.1400%	1.1751%
2004	13004	1.0000%	0.0331%		0.0797%	0.1400%	1.2528%
	(3)	1.0000%		0.7840%		0.1400%	1.9240%
	All other Areas	1.0000%			0.0797%	0.1400%	1.2197%
2005	13004	1.0000%	0.0322%		0.0658%	0.1400%	1.2380%
	(4)	1.0000%		0.0814%		0.1400%	1.2214%
	All other Areas	1.0000%			0.0658%	0.1400%	1.2058%

Note: (1) The City has 44 Tax Rate Areas (TRA)

(2) In 2003, TRA's 13001, 13002, 13018 and 13041 included 0.0604% for Colton Unified

(3) In 2004, TRA's 13001, 13002, 13018 and 13041 included 0.0784% for Colton Unified

(4) In 2005, TRA's 13001, 13002, 13018 and 13041 included 0.0814% for Colton Unified

Source: San Bernardino County Auditor-Controller-Recorder

**TOP TEN (10) PROPERTY TAXPAYERS
2004-2005**

Taxpayer	Type of Business	Assessed Valuation	Est. Total Revenue
General American Life Insurance Co.	Office Buildings	\$ 34,452,859	\$ 312,348
Loma Linda Heritage Associates	Apartments	19,103,578	181,294
Loma Linda University Medical Center	Medical Building	399,379,752	180,204
Oasis Townhomes LLC	Apartments	21,615,601	114,367
Loma Linda University	Medical Building	163,538,316	102,561
Emeritus Properties XVI Inc.	Retirement Residences	9,241,921	85,713
Monterey Pines LLC	Apartments	9,123,185	84,748
Loma of California Health Center	Medical Building	8,804,635	81,795
Lewis Investment Company	Development Group	8,142,949	68,953
Loma Linda Plaza Partners	Shopping Center	6,988,923	64,927

Source: The HdL Companies

**SPECIAL ASSESSMENT COLLECTIONS
LAST TEN (10) FISCAL YEARS**

Fiscal Years	Current Billings	Assessments Collected	Ratio of Collections to Current Billings	Total Outstanding Assessment
1996	\$ 410,610	\$ 421,593	102.67%	\$ 10,983
1997	620,687	615,707	99.20%	(4,980)
1998	613,827	616,991	100.52%	3,164
1999	502,665	540,464	107.52%	37,799
2000	543,401	554,979	102.13%	11,578
2001	574,642	581,068	101.12%	6,426
2002	570,772	561,677	98.41%	(9,095)
2003	575,676	562,717	97.75%	(12,959)
2004	569,078	578,532	101.66%	9,455
2005	616,095	616,514	100.07%	419

Sources: City of Loma Linda Finance Department
San Bernardino County Auditor-Controller
Property Tax Division

**COMPUTATION OF LEGAL DEBT MARGIN
JUNE 30, 2005**

Net Assessed Value	\$ 1,145,639,299
Plus Exempt Property	<u>16,144,851</u>
Total Assessed Value	<u><u>\$ 1,161,784,150</u></u>
Debt Limit: 3.75 percent of Total Assessed Value	\$ 43,566,906
Debt applicable to Limitation:	
Net Combined Total Debt	<u>\$ 32,882,692</u>
Total Debt applicable to Limitation	<u><u>32,882,692</u></u>
Legal Debt Margin	<u><u>\$ 10,684,214</u></u>

Note: The general laws of the State of California for municipalities provide for a legal debt limit of 15% of gross assessed valuation. However, this provision was enacted when assessed valuation was established based on 25% of market value. Effective with FY 1981-1982, taxable property is assessed at 100% of market value. Although the debt limit provision has not been amended by the State since this change, the percentage has been proportionally modified to 3.75% for the purpose of this calculation for consistency with the original intent of the State's debt limit.

Source: California Municipal Statistics

**RATIO OF NET GENERAL OBLIGATION BONDED DEBT
TO ASSESSED VALUE AND NET GENERAL OBLIGATION
BONDED DEBT PER CAPITA
LAST TEN (10) FISCAL YEARS**

Fiscal Year	Population	Assessed Value	Gross Bonded Debt	Less Debt Service Fund	Debt Payable from Enterprise Fund	Net Bonded Debt	Net Bonded Debt to Assessed Value	Net Bonded Debt Per Capita
1996	21,201	\$ 730,771,540	\$ 440,000	-	\$ 440,000	-	-	-
1997	21,115	760,413,461	390,000	-	390,000	-	-	-
1998	21,357	763,927,082	355,000	-	355,000	-	-	-
1999	21,546	772,804,947	290,000	-	290,000	-	-	-
2000	22,299	808,462,792	225,000	-	225,000	-	-	-
2001	19,418	822,585,155	160,000	-	160,000	-	-	-
2002	19,636	893,887,322	100,000	-	100,000	-	-	-
2003	20,136	922,009,122	30,000	-	30,000	-	-	-
2004	20,952	1,003,338,339	30,000	-	30,000	-	-	-
2005	21,592	1,145,639,299	20,000	-	20,000	-	-	-

Includes General, Special Revenue, Debt Service and Capital Projects Funds.
Source: City of Loma Linda Finance Department.

**RATIO OF ANNUAL DEBT SERVICE EXPENDITURES
FOR GENERAL OBLIGATION BONDED DEBT
TO TOTAL GENERAL GOVERNMENTAL EXPENDITURES
LAST TEN (10) FISCAL YEARS**

Fiscal Year	Ending Principal Balance	Debt Service Payments Principal	Interest	Total Debt Service	Total General Governmental Expenditures	Ratio of Debt Service to General Governmental Expenditures
1996	\$ 440,000	\$ 50,000	\$ 30,984	\$ 80,984	\$ 9,832,811	0.82%
1997	390,000	50,000	21,531	71,531	8,803,677	0.81%
1998	355,000	35,000	19,556	54,556	9,770,819	0.56%
1999	290,000	65,000	22,981	87,981	10,084,192	0.87%
2000	225,000	65,000	14,175	79,175	9,790,408	0.81%
2001	160,000	65,000	11,025	76,025	12,065,411	0.63%
2002	100,000	60,000	6,956	66,956	13,129,198	0.51%
2003 (1)	30,000	70,000	4,331	74,331	17,604,686	0.42%
2004	30,000	-	-	-	16,930,318	0.00%
2005	20,000	10,000	-	10,000	17,761,843	0.06%

Includes General, Special Revenue, Debt Service and Capital Projects Funds.

(1) Redevelopment Agency expenditures were excluded from the Governmental Funds Financial Statements in 2002 and prior years

Source: City of Loma Linda Finance Department.

**REVENUE BOND COVERAGE
WATER REVENUE BONDS
LAST TEN (10) FISCAL YEARS**

Fiscal Year	Gross Revenues	Operating Expenses Less Depreciation	Net Revenue Available for Debt Service	Debt Service Requirements	Coverage
1996	\$ 2,434,612	\$ 1,771,383	\$ 663,229	\$ 801,288	82.8%
1997	2,738,329	1,863,785	874,544	801,288	109.1%
1998	2,680,391	2,460,977	219,414	798,537	27.5%
1999	2,950,903	2,355,763	595,140	798,537	74.5%
2000	2,925,489	2,209,470	716,019	798,537	89.7%
2001	3,006,841	2,075,385	931,456	798,787	116.6%
2002	3,216,759	2,614,640	602,119	799,487	75.3%
2003	3,504,815	2,586,880	917,935	757,281	121.2%
2004	3,412,107	2,626,562	785,545	757,281	103.7%
2005	3,518,424	2,969,287	549,137	757,281	72.5%

Source: City of Loma Linda Finance Department.

**COMPUTATION OF
DIRECT AND OVERLAPPING BONDED DEBT**

JUNE 30, 2005

2004-2005 Assessed Valuation	\$ 1,145,639,299
Redevelopment Incremental Valuation	\$ 381,157,044
Adjusted Assessed Valuation	\$ 764,482,255

<u>DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	% Applicable	Debt 6/30/05
San Bernardino Valley Joint Community College District	2.664%	\$ 1,904,029.00
Colton Joint Unified District	0.146%	\$ 73,989.00
Redlands Unified School District	11.736%	\$ 5,140,193.00
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		\$ 7,118,211.00

<u>DIRECT AND OVERLAPPING GENERAL FUND OBLIGATION DEBT:</u>		
San Bernardino County General Fund Obligations	0.906%	\$ 8,403,512.00
San Bernardino Country Pension Obligations	0.906%	\$ 7,083,023.00
San Bernardino Municipal Water District Certificates of Participation	3.761%	\$ 221,899.00
Colton Joint Unified School District Certificates of Participation	0.146%	\$ 12,432.00
Redlands Unified School District Certificates of Participation	11.736%	\$ 1,385,514.00
City of Loma Linda Certificates of Participation	100.000%	\$ 8,880,000.00
TOTAL GROSS DIRECT AND OVERLAPPING GENERAL FUND OBLIGA		\$ 25,986,380.00
Less: San Bernardino Valley Municipal Water District Certificates of Participation		\$ 221,899.00
TOTAL NET DIRECT AND OVERLAPPING GENERAL FUND OBLIGATION DEBT		\$ 25,764,481.00

GROSS COMBINED TOTAL DEBT	\$ 33,104,591.00	(1)
NET COMBINED TOTAL DEBT	\$ 32,882,692.00	

(1) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and tax allocation bonds, and non-bonded capital lease obligations.

<u>Ratios to 2004-2005 Assessed Valuation:</u>	
Total Overlapping Tax and Assessment Debt.....	0.62%

<u>Ratios to Adjusted Assessed Valuation:</u>	
Combined Direct Debt (\$8,880,000.00).....	1.16%
Gross Combined Total Debt.....	4.33%
Net Combined Total Debt.....	4.30%

<u>STATE SCHOOL BUILDING AID REPAYABLE AS OF 6/30/05:</u>	\$0
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Source: California Municipal Statistics

TOP 25 SALES TAX PRODUCERS

BUSINESS NAME	BUSINESS CATEGORY
Ach Supply	Plumbing/Electrical Supplies
Audi Leasing Ltd Bentley Leasing	Auto Lease
Bakers Burgers	Fast Food
Bear Oil Co.	Service Stations
Carl's Jr	Fast Food
Chevron USA	Service Stations
Clarks Nutritional Center	Food Stores - Non Grocery
Del Taco	Fast Food
Farmer Boys	Fast Food
Hometown Buffet	Restaurants Beer and Wine
Honda Lease Trust	Auto Lease
Ikon Office Solutions	Office Equipment
K D Sales	Contractors
Loma Linda Foundation	Health Services
Loma Linda Mercantile	Health Services
Loma Linda University	Health Services
Loma Linda University Medical Center	Governmental/Social Org.
Party Rentals	Art/Gift/Novelty Stores
Pool and Spa Outlet	Specialty Stores
Quaid Harley Davidson	Boats/Motorcycles
Rite Aid	Drug Stores
Samuel Joseph Sabatino	Used Automotive Dealers
Saturn of Loma Linda	New Motor Vehicle Dealers
Spreen Honda Kia	New Motor Vehicle Dealers
Stater Bros	Grocery Stores Liquor

Percent of City fiscal year total paid by 25 top 25 accounts: 89.08%

Source: HdL Companies

**DEMOGRAPHICS STATISTICS
LAST TEN (10) FISCAL YEARS**

Fiscal Year	City of Loma Linda Population	Percentage Change	San Bernardino County Population	Percentage Change
1996	21,201	-1.87%	1,554,311	-1.88%
1997	21,115	-0.41%	1,553,393	-0.06%
1998	21,357	1.15%	1,586,416	2.13%
1999	21,546	0.88%	1,617,932	1.99%
2000	22,299	3.49%	1,653,388	2.19%
2001	19,418	-12.92%	1,723,835	4.26%
2002	19,636	1.12%	1,747,066	1.35%
2003	20,136	2.55%	1,797,214	2.87%
2004	20,952	4.05%	1,886,481	4.97%
2005	21,592	3.05%	1,946,202	3.17%

Source: State of California Department of Finance
Demographic Research Unit

**CONSTRUCTION AND BUSINESS ACTIVITY
LAST TEN (10) FISCAL YEARS**

Fiscal Year	Number of Building Permits	Percent Change	Building Valuation	Percent Change	Building Permit Revenue	Percent Change	Business License Revenue	Percent Change
1996	N.A.	N.A.	N.A.	N.A.	\$ 59,253	-69.68%	\$ 150,426	-12.04%
1997	314	N.A.	\$ 9,321,106	N.A.	108,052	82.36%	164,975	9.67%
1998	237	-24.52%	4,418,564	-52.60%	88,220	-18.35%	167,104	1.29%
1999	378	59.49%	35,174,939	696.07%	573,362	549.92%	195,932	17.25%
2000	702	85.71%	61,176,770	73.92%	619,646	8.07%	220,451	12.51%
2001	495	-29.49%	20,404,988	-66.65%	311,953	-49.66%	199,903	-9.32%
2002	410	-17.17%	22,523,653	10.38%	302,305	-3.09%	215,836	7.97%
2003	374	-8.78%	11,520,513	-48.85%	158,004	-47.73%	181,375	-15.97%
2004	937	150.53%	29,177,682	153.27%	738,953	367.68%	230,221	26.93%
2005	684	-27.00%	82,675,926	183.35%	1,176,564	59.22%	250,077	8.62%

Source: City of Loma Linda Community Development Department
City of Loma Linda Finance Department

**CITY OF LOMA LINDA
MEDIAN HOUSING PRICES
LAST TEN (10) FISCAL YEARS**

Fiscal Year	Median Price	Percentage Change
1996	\$ 121,750	-14.86%
1997	132,500	8.83%
1998	112,000	-15.47%
1999	139,000	24.11%
2000	167,500	20.50%
2001	188,500	12.54%
2002	158,000	-16.18%
2003	211,000	33.54%
2004	295,000	39.81%
2004	433,750	47.03%

Source: California Association of Realtors

**DEPOSITS SUMMARY
LAST TEN (10) FISCAL YEARS**

Fiscal Year	Banks*	Credit Unions*	Savings and Loans*	Total Deposits*
1996	\$ 84,548	\$ 33,776	\$ 49,092	\$ 167,416
1997	84,805	35,431	51,035	171,271
1998	87,977	36,367	55,836	180,180
1999	96,025	39,250	49,898	185,173
2000	103,176	38,281	46,624	188,081
2001	108,292	39,369	49,477	197,138
2002	129,937	44,904	68,525	243,366
2003	142,931	50,012	63,240	256,183
2004	166,409	55,481	58,469	280,359
2005	184,523	57,765	60,008	302,296

* Amounts expressed in thousands

Source: The Findley Reports, National Credit Union Administration and FDIC

MISCELLANEOUS STATISTICS

JUNE 30, 2005

The City of Loma Linda incorporated September 29, 1970. It is located on the Southside of the Interstate 10, just east of the 215 Fwy. Linda is home to the world famous Loma Linda University and Medical Center, it has a history of being a health-conscious community and in 1993 became the first "smoke free" city in San Bernardino County.

Type of City:	Charter City, June 2, 1981
Form of Government:	Council/Manager
Area:	7.43 total square miles
Population:	21,592
Assessed Valuation (Taxable):	\$1,145,639,299
Miles of Streets	62.1
Number of Street Lights:	1,359
Police Protection:	Contract with San Bernardino County Sheriff's Department
Fire Protection:	
Number of Stations:	1
Number of Firefighters and Officers:	27 including 6 Reserve Fire Fighters
Paramedic Services:	Operated in conjunction with Fire Department
Library:	
Loma Linda Library	Operated by San Bernardino County
Schools:	
Redlands Unified School District	6 Schools, Grades K - 12
Colton Joint Unified School District	5 Schools, Grades K - 12
Loma Linda Academy (private)	Grades K - 12
Junior Colleges (within 30 min. of City)	3
Colleges (within 30 min. of City)	5
Loma Linda University	7 Health-sciences Schools plus 1 Graduate School offering more than 55 programs
Recreation and Cultural:	
Number of Parks	10
Area of City Parks	84.39 acres plus 867 unimproved acres with informal trails system
Utilities:	
Sewer:	
Collection	City of Loma Linda
Treatment	City of San Bernardino
Water:	City of Loma Linda
Electricity:	Southern California Edison Company
Gas:	Southern California Gas Company
Telecommunication:	Verizon
Cable:	Adelphia Communications
Total Number of Full-Time City Employees:	81
Total Number of Part-Time City Employees:	14 including 6 Fire Fighter/Apprentice
City Council Members:	5
Planning Commission Members:	5

Source: City of Loma Linda Community Development, Public Safety, Public Works and Finance Departments



Finance Department
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